Austria	Sch24	Iran	Rls210	Pakistan	Rs35
Bahrain	Din0.700	Israel	Shk3.50	Philippines	Pso40
Belgium	BFr55	Italy	L2000	Poland	Zl 9,000
Cyprus	C£0.90	Jordan	JD1	Portugal	Esc165
Denmark	DKr12.00	Korea	Won 2000	Qatar	QR9.50
Egypt	E£3.25	Kuwait	Fils.500	S.Arabia	SR9.00
Finland	Fmk9.50	Lebanon	L£800.00	Singapore	S$4.10
France	FFr7.50	Lux	LFr55	Spain	Pta165
Germany	DM2.60	Malaysia	M$4.25	Sweden	SKr12
Greece	Dr160	Morocco	MDh8.00	Switz	SFr2.50
Hungary	Ft107	Neth	Fl 3.25	Thailand	Bt50
Iceland	IKr180	Nigeria	Naira12	Tunisia	Din1.250
India	Rs15	Norway	NKr12.00	Turkey	L2000
Indonesia	Rp3190	Oman	OR1	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,322

Thursday December 6 1990

D 8523A

IRAQ
Making sense of a nuclear threat
Page 15

World News

Kohl loses top foreign policy expert to industry

Horst Teltschik, Chancellor Helmut Kohl's most trusted foreign policy adviser, said he would leave the German government for industry at the end of the year.

His move is a setback for a chancellor struggling with coalition negotiations after Sunday's election. Page 16

Parties pull together

Bulgaria's political parties have agreed to share power in a caretaker unity government until general elections can be held.

Nato cost wrangle

Argument over the contribution of European countries to Nato, is expected to resurface today when defence ministers meet for the first time since the Gulf crisis began. Page 2

Threat to Cossiga

Political controversy in Italy over the underground resistance organisation inspired by Nato in the late 1950s is now beginning to threaten the future of Francesco Cossiga, the Italian president. Page 2

Czech price rises

Czechoslovakia's government is to unveil retail price rises in the energy sector, aimed at cutting subsidies, improving energy consumption and phasing out brown coal. Page 2

Earthquake bribes

A court investigating alleged bribes in reconstruction projects after the 1980 earthquake in southern Italy charged 16 people including a former mayor and his son.

Rebels' cabinet

The rebels who have taken power in Chad announced an interim cabinet that includes members of the ousted regime and a former political prisoner. Several Chadian ambassadors abroad pledged to support the new leaders.

Shrine guarded

India sent its elite Black Cat commandos to guard the inner sanctum of a disputed 16th century shrine in Ayodhya from Hindu militants whose protests last month toppled the government.

TV monopoly ends

The South African government granted an independent television company permission to broadcast news, ending a 15-year monopoly of the state-owned South African Broadcasting Corporation. Page 5

Greeks on strike

Several hundred thousand bank workers and civil servants went on strike for 48 hours in protest at a proposed law to restrict their right to strike.

Coca-Cola man killed

The president of Coca-Cola's Bolivian subsidiary, Jorge Lonsdale, was killed by the guerrilla group that kidnapped him six months ago. Page 4

Coup head seized

A suspected Panamanian coup leader and ex-police official, Eduardo Herrera Hassan, was arrested along with 40 other people after he escaped from the national police headquarters, a building he had seized following a jailbreak.

New leader picked

Opposition parties in Bangladesh chose Shahabuddin Ahmed, the country's chief justice, as head of a caretaker government following the resignation of President Hossain Mohammad Ershad. Page 5

Rocket scare

Chilean police dismantled a mock rocket aimed at the US consulate in Santiago, one day before a visit by President George Bush and guerrillas exploded a bomb near the consulate.

Business Summary

Nymex may halt trading in oil if Gulf war begins

The Board of Directors of New York Mercantile Exchange, US energy futures market, was to consider a proposal last night to impose trading halts as concern rises about panic in the market if a shooting war starts in the Gulf.

Nymex is proposing that if the crude oil futures price moves more than $7.50 in the contracts of the first two months, a trading halt of one hour would be imposed across all contract months.

Page 27

TIN prices continued this week's downtrend on the LME yesterday, closing at a new contract low. The $65 fall to $5,735 for cash metal reflected lessening concern over a nearby supply squeeze according to dealers.

Commodities, Page 27

STORA, Europe's largest pulp and paper concern, is discussing the disposal of the non-forestry operations of Feldmuhle Nobel (FeNo), the German concern it acquired in May for SKr14.5bn, with several interested buyers. Page 17

VEBA, German energy and chemicals group, plans to spend DM8bn ($5.3bn) in east Germany during the next five years, taking its capital spending to DM30bn. Page 17

OLIVETTI, has had a request for a special law to fund early the retirement of 5,000 employees turned down by the Italian government. Page 17

EUROTUNNEL defied Channel tunnel sceptics when it revealed that 84.3 per cent of the new units offered to registered shareholders in its £530m ($1bn) rights issue had been taken up. Page 17; Lex, Page 16

WORLD BANK has approved the first non-humanitarian loan to China since the Tiananmen Square massacre 18 months ago. Page 5

BASS, UK's leading brewer, reported a 15 per cent increase in 1989-90 pre-tax profits from £465m ($893m) to £535m, but warned that trading conditions were getting much tougher. Page 18; Lex, Page 16

SAATCHI & SAATCHI, UK advertising group announced an increase in net losses from £58.5m ($112m) to £96.2m for the year to September 30. Page 18; Lex, Page 16

ROYAL BANK OF SCOTLAND cannot sue six Italian banks in England over a claim to be reimbursed under letters of credit, the High Court ruled. Page 6

BELL Group, a 74.4 per cent subsidiary of Bond Corporation, has a deficiency of assets over liabilities of A$449m, ($350m) according to the annual report. Page 20

ARGENTINA has received $265m in loans from the IMF after the government met economic performance targets. Page 4

DAIMLER-BENZ, German car and truck company, comes to the London stock market today for a listing. Page 19

CANADIAN Broadcasting Corporation is to cut 1,200 jobs, or 10 per cent of its workforce, in an austerity drive forced by a squeeze on government spending and stagnant advertising revenues. Page 4

PHILIPPINES raised domestic oil prices by an average 45 per cent, bringing pump prices close to the levels demanded by the IMF. Page 5

CHRISTIAN Salvesen, diversified food distribution and industrial services group, relied on a strong performance by its specialist hire division to enable it to raise pre-tax profits by 10 per cent to £36m in the six months to September 30. Page 25

Baker mission offers Saddam 'last chance for peace'

By Peter Riddell, US Editor, in Washington

THE US will strike "suddenly, massively and decisively" if military action is needed to force Iraq out of Kuwait, Mr James Baker, the US secretary of state, warned yesterday in an uncompromising statement.

Describing his proposed mission to Baghdad for direct talks with President Saddam Hussein as "the last best chance for a peaceful solution," Mr Baker offered the Iraqi leader little room for manoeuvre during lengthy testimony to the Senate foreign relations committee.

He stressed that the direct talks were not the beginning of negotiations either over the terms of United Nations resolutions demanding complete and unconditional withdrawal from Kuwait, restoration of the legitimate government and release of all foreign nationals, or over subjects unrelated to the crisis such as the Palestinian question or the civil war in Lebanon.

If after full withdrawal, the Kuwaiti government wanted to discuss the differences which separated it from Iraq, such as the disputed oilfield, then it was a matter for Kuwait, he added.

His purpose, Mr Baker said, would be to explain to Mr Saddam the choice of a peaceful solution of compliance with the UN objectives or "risk disaster for Iraq". The carrot was that "if he gets out he doesn't get the stick".

Mr Baker's remarks came amid heightened Arab diplomatic efforts to reach a peaceful settlement.

However, President George Bush said in Buenos Aires that he was not optimistic about direct US-Iraq talks: "I see no evidence that Saddam Hussein is ready to comply, fully, without conditions, with the UN resolutions."

During his testimony, Mr Baker clashed frequently with Democratic senators about how long the current economic sanctions should be allowed to operate before military action was considered. He warned strongly against delay in resolving the crisis which, he said, imposed costs on the anti-Iraq coalition.

Mr Baker said on the basis of recent intelligence estimates that he was "very pessimistic" that sanctions would force Iraq out of Kuwait since after four months "none of our efforts have produced any sign of change in Saddam Hussein".

At a separate congressional hearing, Mr William Webster, director of the Central Intelligence Agency, said there "is no assurance or guarantee that economic hardship will compel Saddam to change his policies or lead to internal unrest that would threaten his regime".

Mr Webster said the Iraqi leader "apparently believes that he can outlast international resolve to maintain sanctions". He said that "under non-combat conditions, Iraqi ground and air forces can probably maintain near-current levels of readiness for as long as nine months".

Mr Baker said the international coalition needed to show Mr Saddam that time was not on his side. "He needs to know that even if he believes he can withstand the sanctions, and he may be right in this belief, we can and will impose even greater costs on him through the use of force if necessary."

He reaffirmed that even if Iraq left Kuwait, there would have to be discussions about a regional security mechanism, about the possibility of continuing an arms embargo against Baghdad and about securing non-proliferation weapons agreements in the region.

Several Democratic senators echoed the views of Senator

Continued on Page 16
Kuwaitis 'favour no attack deal', Page 5

EC refuses to change farm reforms policy

By Peter Montagnon and William Dullforce in Brussels

ON PAGE 3
- Japan's low profile
- US and Thailand accord
- Farm row threatens talks on export credit subsidies

A DEFIANT European Community held the hoped-for reform of the world trading system in the balance yesterday by refusing to alter its position on farm reform.

Fully 24 hours after deadlock was officially declared in the Uruguay Round of multilateral talks designed to liberalise world trade, the EC had still not improved its offer to cut farm subsidies by 30 per cent.

With the atmosphere becoming tenser as talks dragged on late into the night, several delegates said the negotiations could be suspended at the latest by lunchtime today on the grounds that time had simply run out.

Mr Neil Blewett, Australia's trade minister, said there "has been talk in the Cairns Group (of 14 farm exporting nations) of suspending participation in the negotiations until we get a response from the EC".

Community officials spent much of yesterday vainly trying to split the opposition to its farm supports plan by offering sweeteners to individual Cairns Group countries in the form of increased imports of specific products.

Mr Blewett said there had been "shoulder-tapping," but that the Cairns group "remained solid behind our position".

Earlier yesterday, Mr Gros Espiel, the Uruguayan foreign minister who is chairing the talks, set a deadline of noon today for at least a preliminary breakthrough in five areas, including, as well as agriculture, liberalisation of trade in services and enforcement of intellectual property rights.

But several countries, including the Cairns Group and the US, were demanding swifter action on agriculture – at a special meeting late in the night.

"We are now in deep crisis and we have to inject a deeper sense of urgency," Mr Blewett said.

"The EC must take account of the pressures which are being brought to bear."

Delegates said they believed that some, at least, of their counterparts in the EC, were beginning to accept that the time had come to start making concessions.

Speculation was mounting that the EC could respond eventually by making the commitments to increase foreign access to EC markets and reduce export subsidies as demanded by the bulk of the other participants.

Such commitments were thought unlikely to emerge last night, however. Pushing them past the member states also seemed likely to be tough given continuing French opposition to any change in position.

Delegates said if any offer was forthcoming it was unlikely to use the techniques proposed by the US and Cairns Group.

If it agreed to cut export subsidies and drop plans for increasing protection on oilseeds and corn gluten feed, the EC would want to see an end to proposals to convert barriers to farm imports into fixed tariffs. Instead it would want to find some way of using quantitative limits to control any increase in imports of farm goods.

This would allow it to retain the variable levies which are the cornerstone of the Common Agricultural Policy (CAP).

In a joint statement last night, 70 developing countries whose involvement is essential to any final agreement added their weight to the pressure on the EC.

Mr Rubens Ricupero, Brazilian ambassador to the Gatt said the Community had caused deadlock in the talks. It was refusing to negotiate farm reform on the agreed basis of specific policy commitments in export subsidies, domestic assistance to farmers and opening markets to imports.

The Community was unanimous in its willingness to negotiate on all difficult sectors in parallel, he said, but the US was refusing to adopt this approach and had insisted on singling out agriculture.

At the same time, it was unwilling to make concessions on liberalising trade in service sectors such as telecommunications, shipping and aviation.

US representative Clayton Yeutter at yesterday's talks

Brussels adopts new rules on air transport

Tim Dickson in Brussels

IMPORTANT new rules on how take off and landing slots should be allocated at European Community airports were adopted in Brussels by the European Commission yesterday.

The rules, which have yet to be endorsed by member states, are seen as a key move in the battle for a more liberalised air transport market. EC officials say they are bound to force established air carriers to give up some of their existing rights at congested airports.

Brussels has already taken important steps to outlaw some of the cosier cartels operated by major airlines, but there is a widespread belief that cheaper fares and increased choice are only possible if new companies are given better access to the market.

At the moment responsibility for "slot" allocation at busier airports is often given to established carriers, which invoke so called "grandfather rights" to justify hanging on to existing routes, leaving little room for newcomers.

Under the Commission's plan governments will have to designate an official "slot" co-ordinator and make the procedures for allocating them more transparent.

Slots which are either unused or suddenly become available will then be "pooled" and at least 50 per cent given to new entrants, defined by Brussels as airlines wanting to start a new service which do not operate more than one flight from an airport or control more than 30 per cent of existing slots.

If the pool is not big enough to satisfy the demand, smaller airlines will be able to obtain slots from other airlines which use aircraft with less than 200 seats and which already control six slots a day.

Mr Karel Van Miert, the EC's Transport Commissioner, explained that the new system will work on a reciprocal basis between member states.

He added that one widely canvassed option – selling slots to the highest airline bidder – had been ruled out as "not the best solution".

Sir Leon Brittan, the EC Competition Commissioner, said that the Commission has agreed interim measures to deal with the situation at airports where the airlines themselves are responsible for slot allocation.

● The Commission yesterday approved a report on the future of the high speed train network. It identifies 15 rail links across Europe where improvements are considered a priority, and stresses the need to harmonise railway equipment in future.

British Airways has submitted a provisional application to the German Transport Ministry for an operating licence in Berlin writes Leslie Colitt. It is considering forming a new airline because the ministry is insisting that it cut by 20 per cent a year its existing Berlin-based internal German services. BA would own 49 per cent of the proposed new airline; German investors would hold 51 per cent.

IBM moves communications systems headquarters to UK

By Alan Cane in London

INTERNATIONAL Business Machines is moving its communications systems headquarters from New York to London.

This is the first time the world's largest computer company has established corporate responsibility for a principal line of business outside the US.

Ms Ellen Hancock, vice-president and general manager of the company's communications systems line of business, will move early next year with a small staff to IBM's Brentford offices in west London.

New offices will be opened and the move is expected to be complete by the end of next year. Altogether some 120 US-based executives are expected to move to the UK. Any remaining positions will be filled by staff from IBM UK and other European IBM operations.

IBM's decision was welcomed by Mr Peter Lilley, UK trade and industry secretary, who said: "This move signals that Britain could well become the telecommunications hub of this hemisphere."

Communications systems, with worldwide sales in excess of $10bn, is one of six lines of business established by IBM in the late 1980s as part of a company-wide reorganisation designed to establish a better match between the company's products and its customers' needs.

Mr John Akers, IBM chairman, said yesterday that moving the division's headquarters from Somers, north of New York City, to Europe would enable IBM "to capitalise on expanding business opportunities in a unified Europe and will help us better understand and meet our customers' global networking requirements".

Data communications and networking are among the fastest growing areas of the worldwide information technology business as companies seek to establish worldwide information networks. Ms Hancock said yesterday that a European base would give her an improved perspective of international networking opportunities and a better sense of what customers needed.

The main reasons for IBM's decision seem to be the desire to be recognised as a global company, the advent of the single market after 1992 and the opening of east European markets.

Europe is also a leader in communications technologies involving the interconnection of different kinds of telecommunications equipment, although each country is at a different stage in liberalising its telecommunications market. The US telecommunications market has been liberalised for almost a decade. The UK is the European leader in telecommunications liberalisation.

It is understood that IBM France, recently given responsibility in the European area for communications, fought fiercely within IBM for the headquarters location.

While IBM will have to invest substantial sums to establish the new office and relocate staff, there are no other obvious investment or labour implications in the decision.

CONTENTS

A victory for old-fashioned political campaigning

Mary Robinson, against all the odds, is now president of the Republic of Ireland. Her election was a victory for traditional political campaigning, and most of all, a victory for Irish women.
Page 8

MARKETS

STERLING
New York lunchtime:
$1.924
London:
$1.924 (1.9265)
DM2.8875 (2.895)
FFr9.7875 (9.8)
SFr2.4675 (2.4725)
Y258.75 (258.25)
£ Index 93.6 (same)

GOLD
New York: Comex Feb
$375.8 (380.5)
London:
$373.75 (378.05)

N SEA OIL (Argus)
Brent Jan
$28.3 (29.5)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime:
DM1.49925
FFr5.0795
SFr1.2795
Y134.05
London:
DM1.5015 (1.503)
FFr5.0875 (5.0875)
SFr1.2825 (1.284)
Y134.45 (134.0)
$ index 61.4 (61.3)
Tokyo close: Y133.42

US lunchtime rates
Fed Funds $7\frac{3}{8}$%
3-mo Treasury Bills:
yield: 7.215%
Long Bond:
$104\frac{1}{2}$
yield: 8.331%

STOCK INDICES
FT-SE 100:
2,152.6 (+6.3)
FT Ordinary:
1,889.6 (+6.0)
FT-A All-Share:
1035.59 (+0.3%)
New York lunchtime:
DJ Ind. Av.
2,584.41 (+4.71)
S&P Comp
327.62 (+1.27)
Tokyo: Nikkei
22,193.72 (+331.11)

LONDON MONEY
3-month Interbank:
closing $13\frac{13}{32}$ ($13\frac{5}{8}$)
Life long gilt future:
Mar $88\frac{7}{8}$ ($88\frac{11}{16}$)

EUROPEAN NEWS

Secret army controversy begins to threaten Italian president

POLITICAL controversy in Italy over "Operation Gladio" – the underground resistance organisation inspired by Nato in the late 1950s to counter an enemy occupation – is now beginning to threaten the future of President Francesco Cossiga, writes John Wyles in Rome.

Opinions differ on the extent to which Mr Cossiga is himself responsible for the growing fragility of his position, but his increasing loquacity on the subject of Gladio has recently prompted two of Italy's leading journalists to publish blunt comments on the president's mental state.

The most ill-judged of many recent interventions came on Tuesday when, in a speech at the Carabinieri training school, he defended Gladio as legitimate and necessary. He said it would not have been wrong to have deployed Gladio against the Italian accomplices of any invader (Communists by implication), and suggested that the Venetian magistrate who is investigating possible links between Gladio members and a terrorist outrage in the early 1970s. was infected by the ideals which inspired some left-wing terrorists of that period.

Such a direct attack on a single magistrate by the nominal head of the judiciary is questionable at the very least. Moreover, Mr Cossiga's other remarks appear to run counter to the institutional requirement that the presidency be above the party battle.

The Communist party has sought to exploit every fragment of information about Gladio – particularly the fact that many of its rank-and-file recruits had right-wing sympathies – to present it as a hidden army dedicated to ensuring that the party was never allowed to come to power.

Mr Cossiga's own Christian Democrat party has been at pains to play down Gladio's significance and to turn a blind eye to circumstantial evidence that secret service officers involved in planning a possible coup d'état in 1964 might have been able to deploy Gladio for that purpose. The government agreed yesterday that Mr Cossiga should testify to a parliamentary inquiry, and that it would publish secret documents on the 1964 coup attempt.

The president's combativeness clearly owes something to his own involvement in administering Gladio as a junior defence minister in 1966. But his sense of vulnerability may have been heightened by the revelation that Mr Renato Altissimo, the Liberal Party leader, warned him in August before the Gladio controversy broke that a serious attack on his position was to be made by the political left in the autumn. Subsequently, in October, some factions of the Communist party were suggesting that Gladio might be an issue upon which the president could be impeached.

But finally, Mr Cossiga's political imprudence, bordering on obsession, may also owe something to a personality which swings between depression and euphoria.

Yesterday, Mr Eugenio Scalfari, editor of La Repubblica who first drew his sword against Mr Cossiga some weeks ago, suggested that "the president is too deeply disturbed in his own mind to impose on himself the control which should inspire all his acts and words." The cause of this disturbance may be possession of worrisome information or an excessively passionate temperament, added Mr Scalfari, but the result has been presidential behaviour "which by a long way exceeds the most daring theories on the powers of the presidency."

French back democratic control of Eurofed

By George Graham in Paris

THE FRENCH government yesterday laid out its blueprint for the next stages of European monetary union with an affirmation that elected national governments must retain primacy over the technocrats of a European central bank or of the European Commission.

Mr Pierre Bérégovoy, the finance minister, said France was already prepared for phase two of monetary union, which begins in 1994. This phase should involve the systematic co-ordination of monetary policy, moving gradually towards fixed exchange rates, and convergence of economic policies.

In phase three, however, Mr Bérégovoy said the Community must move beyond the creation of a single currency and an independent central bank with the development of "a fully democratic economic government" based on the current Council of Ministers.

"This government must... directly engage the states which will continue to put the essential part of economic policy into effect," he said.

This commitment to the primacy of EC member governments was seen in Paris yesterday as a move in the direction of British reluctance to abandon sovereignty to Brussels, and away from the more centralising views of Mr Jacques Delors, Commission president.

"This is sovereignty shared between the Twelve, not sovereignty delegated," commented one French official.

Mr Bérégovoy's statement underlined the need for EC member states to harmonise all aspects of their economic policies, and not just monetary policy in isolation.

"The single currency will only be credible if the member states can present economic performances which are sufficiently close, notably in prices and interest rates," he said.

French officials in recent weeks have become concerned about the strains placed on European co-operation by the rising German budget deficit.

The good and bad news for aid recipients

OECD finds disparate foreign aid and investment patterns, writes Peter Montagnon

NET financial flows to the developing world increased by 3 per cent to $110bn last year, though in real terms they are still little more than half their level at the start of the 1980s, the industrialised world's Organisation for Economic Co-operation and Development reports today.

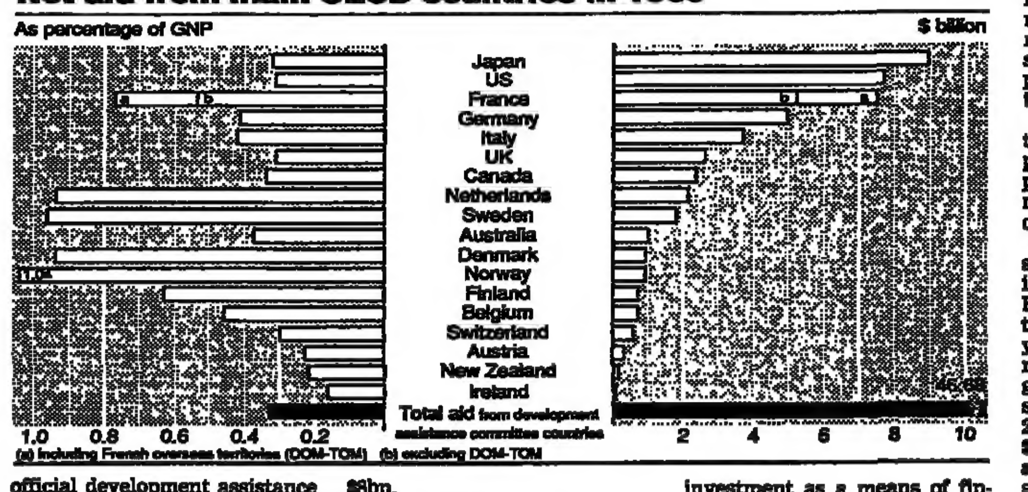
Its annual review of aid and other financial flows predicts a modest real growth in official development assistance by industrial countries over the next few years, but cautions that aid flows from other sources, notably the Soviet Union and the Middle East, have fallen.

A common view in the west is that the end of the Cold War will not generate a "peace dividend" that could be spent on increased aid, but governments still need to step up their development spending to help deal with the global problems of the environment and population growth, it says.

Developing countries remain worried that the emerging democracies of central and eastern Europe will pre-empt available resources from industrial countries at a time when there is a growing world shortage of capital, it says. They will need to respond by improving their own economic and social policies which are in any case coming under closer scrutiny by industrial country donors.

Last year's increase in net flows to developing countries came despite a small drop in

Net aid from main OECD countries in 1989



official development assistance by members of the OECD's development assistance committee, which includes all OECD countries except Iceland, Luxembourg, Portugal and Spain.

This fell to $46.7bn from $48.1bn but the 1988 figure was artificially inflated by a bunching of large contributions to multilateral organisations such as the World Bank.

The drop was more than compensated for by an increase in non-concessional official funding, notably untied lending by Japan's Export-Import Bank, by an increase in net export credit lending for the first time since 1985 and by an increase in net commercial bank lending from $5.8bn to $8bn.

This latter gain, however, largely reflected the accumulation of arrears by developing countries rather than any fresh voluntary lending. The OECD points out that bank lending plays only a small role in net flows to developing countries compared with the start of the decade when it was the single largest component.

The report also reveals a $3bn decline to $22bn in net foreign direct investment flows to developing countries, though the 1989 total is still double the level of 1986.

In the absence of new bank loans, industrial country governments are increasingly urging developing countries to do more to attract private investment as a means of financing development. Last year's decline in investment reflected a fall-off in debt-equity conversions, as well as a sharp drop in investment flows to China in the wake of the Tiananmen Square massacre.

In a special section on development and the environment, the OECD says additional resources will be required to transfer new technology to the developing world and to help poor nations comply with the requirements of international conventions on the environment.

Though most industrial countries now place a high priority on the environment aspects of development, more work is needed to help developing countries plan and implement their own policy responses, it says. Staff constraints remain a "serious problem" in donor countries, the report adds.

Aid donors must also step up their practical involvement in promoting measures to contain population growth, which the report describes as "a major obstacle to development".

In its analysis of aid flows, it says that substantial increases in aid can be expected from France and Japan, which was the largest single donor last year with $8.95bn. The recent rapid growth in Italy's aid budget has come to a halt. Aid spending by the US declined by 27.5 per cent in real terms to $7.66bn. This was equivalent to a record low of 0.15 per cent of gross national product, though the figures were distorted by the timing of US contributions to the World Bank.

Aid spending by central and east European countries declined by $426m to $4.3bn, while net aid disbursements by Arab countries fell to $1.5bn from $2.3bn.

The report notes that the increase of oil prices following Iraq's invasion of Kuwait has serious implications for the development process, but it says the full implications cannot yet be assessed.

**1990 Report on Development Co-operation. Price FFr150 from OECD Publications Service, 2 rue André-Pascal, 75775 Paris Cedex 16, France*

European federalism criticised by Chirac

By Ian Davidson in Paris

PRESIDENT François Mitterrand's notion of a federally integrated Europe was yesterday sharply challenged by the leading French conservative opposition party, the Gaullist RPR led by Mr Jacques Chirac, the former prime minister.

Mr Mitterrand's ideas will form the the central issue at next week's European summit in Rome.

Launching a new party policy document on Europe, Mr Chirac yesterday told the National Council of the Rassemblement pour la Republique: "We refuse the conception of the French Socialists, as well as of the Germans and of the Italians, for a federation of the Twelve."

He called for the creation of an intergovernmental union of European nations. This should aim to encompass all 500m people in the continent, once they have reached the necessary level of democracy and have adopted a market economy, he said.

The party's new European platform criticises the supranational pretensions of what it calls the "Brussels technocracy" and rejects the idea of a single European currency.

The party supports NATO, but says France must maintain control over essential decisions in matters of war and peace.

The anti-integrationist tone being adopted by the party represents a throwback to the original nationalism of its father figure, General de Gaulle.

Its new position represents a sharp break with the political consensus which, in recent years, has muffled French debate over attitudes towards the future shape of Europe.

Since the late 1970s, Mr Chirac has steadily softened the anti-European note of party rhetoric. In the 1988 presidential election campaign it was not always easy to detect any profound antagonism between his European policy and that of Mr Mitterrand.

The new Gaullist platform is a victory for the populist faction of the party, led by Mr Charles Pasqua, the former interior minister.

Mr Pasqua's wing seeks to rebuild its political fortunes through a return to traditional roots.

At the same time it is keen to head off the advance of Mr Jean-Marie Le Pen and his xenophobic, anti-European right-wing National Front.

Mr Pasqua's victory is not merely a setback for the modernising wing of the party.

It also strikes a fundamental blow at efforts to strengthen the electoral credibility of the traditional conservative parties.

Attempts have been made to forge a political alliance between the Gaullists and the centre-right UDF grouping, which is firmly committed to a fully integrated European Community.

Brussels warns on German unity cost

By Lucy Kellaway in Brussels

FISCAL POLICY will have to be tightened across the European Community to help meet the cost of German unification, the European Commission warned yesterday.

The great increase in Germany's budget deficit (representing a swing equivalent to 5 per cent of gross national product) will greatly increase the scarcity of capital in Europe and force up real interest rates unless there is an EC effort to increase savings, says its annual economic report. . The best way to ensure this, it argues, is to increase public sector savings.

The Commission paints a dark economic picture for the EC in the short term, and urges member states to align their economic policies more closely. Growth is forecast to fall from 3 per cent this year to 2.25 per cent in 1991, recovering slightly the following year.

Mr Henning Christophersen, the economic commissioner, warned yesterday that the present degree of cohesion was insufficient for progress towards economic and monetary union. Stage one of Emu, begun in July, would not succeed without greater co-ordination of policies.

The Commission's report singles out Britain as the laggard of the EC, pointing out that the UK alone faces recession, with forecast growth next year of 0.75 per cent compared to an EC average of 2.25 per cent. It is worried that the "excessive increase in wage costs" in the UK is showing no sign of reacting to the economic slowdown. However, it holds out hope that sterling's entry into the EMS exchange rate mechanism will help reduce inflation, which it expects to fall to 6.3 per cent next year from 7 per cent this.

The report complains that fiscal policies, in particular, remain diverse, putting pressure on the credibility of the EC's commitment to monetary stability. It complains that budget deficits in Greece and Italy are still too high (at 18 and 10 per cent of gross domestic product) and argues that convergence of monetary policy is good only for those countries that have not been subject to the disciplines imposed by the EMS.

The variation in inflation rates of those in the narrow band of the EMS is already close enough, it says, for the final stage of monetary union, in which there will be a single currency and monetary policy.

PIERRE CARDIN, the French fashion magnate (above), left Bucharest yesterday promising Romanians will soon be wearing his elegant clothes, writes Ariane Genillard in Bucharest. Five Romanian factories will be making Cardin clothes for the domestic market under licensing agreements due to be signed next month. A boutique will be opened in Bucharest next September.

Exports from Romania would begin only in the "second phase" of the project, probably late next year, Mr Cardin said at a news conference.

"Of course, it's a long-term effort. When I went to China and Russia, I did not think about profitability first, but it's a beginning and I believe the Romanians will be quick to learn our ways of working," he said. Low labour costs are also thought to have attracted the designer to Romania.

G24 agrees aid for east Europeans

By David Buchan in Brussels

THE Group of 24 western aid donors last night agreed in principle to provide $1bn to Czechoslovakia and $700m to Hungary to support their balance of payments while the countries try to make their currencies convertible.

Officials from the G24 industrialised countries also agreed to renew their commitments to the similar $1bn currency stabilisation fund for Poland, when that lapses next March.

The move reflects the rising priority being put on making east Europe's currencies freely exchangeable with western monies in order to open up their economies to private investment.

The decision also constitutes a victory for the International Monetary Fund, whose representatives at yesterday's meeting argued for continuing to meet eastern Europe's needs case-by-case, rather the more global approach that had been advocated by the European Commission.

The latter had called for a general $7bn financial safety net for the region.

Gulf-related oil price rises, plus Moscow's demands to be paid in hard currency rather than barter goods, face edois astern Europe with an estimated $14bn financial gap next year. The G-24 countries also indicated their readiness to give Bulgaria, Romania and Hungary food and energy aid this winter, and to finalise the details of this at two further meetings here before Christmas.

Prague raises energy prices

By Judy Dempsey

CZECHOSLOVAKIA'S government today unveils a package of retail price rises in the energy sector, aimed at reducing subsidies, improving the efficiency of energy consumption and phasing out the use of brown coal.

The price rises include coke, up by 246 per cent, natural gas 117 per cent, and brown coal 246 per cent. If accepted by parliament they will come into effect on January 1.

According to the draft legislation, the cost of domestic heating will rise by an average of 390 per cent but the price of electricity will remain fixed largely because the authorities want to move away from highly-polluting brown coal to electricity. Most homes in Prague are heated by brown coal.

The price rises are long overdue. Subsidies have encouraged waste and inefficiency. They have also delayed any consideration about cutting back on of curbing pollution as well as or planning an energy stragegy for the next century.

In the longer term, those who will be most affected by the price rises are the miners. If consumption is cut back, sales will decrease and pit closures cannot be ruled out.

This is the third phase of price rises introduced by the government. In August, petrol and oil products went up by 50 per cent because of cuts in Soviet deliveries.

Athens jammed by strike

By Kerin Hope in Athens

SEVERAL hundred thousand Greeks who work in banks and public corporations went on strike for 48 hours yesterday in protest at a proposed law to restrict their right to strike. The walk-out also reflects anger at last week's announcement of an austerity budget for 1991 which will curtail wage increases and cut many public sector jobs.

Traffic jammed central Athens after pollution-linked driving restrictions were lifted because bus and trolley drivers joined the strike. Lifts were shut down in office buildings when the power company warned of possible blackouts.

The bill proposed in put to parliament yesterday by the ruling conservatives is designed to keep essential services operating during a prolonged industrial dispute. It would also calls for gradually reduce cuts in the state funding of trade unions.

The strike, the sixth by public sector workers since April, underlined the government's argument that it has little room to manoeuvre regarding EC demands for tighter austerity.

EC finance ministers made clear this week that the Greek budget must be reinforced with additional measures to curb a record deficit and secure new revenue sources if Greece is to get the Ecu2bn ($2.78bn) loan it is seeking.

Tensions resurface in Nato

By David White in Brussels

ARGUMENT over the contribution of European countries to Nato, an issue thought to have been buried with the Cold War, is expected to resurface today when allied defence ministers meet for the first time since the start of the Gulf crisis.

The two-day meeting is intended to monitor progress in drawing up a new military strategy and revising the structure of Nato's conventional forces and its needs for nuclear weapons. However, Mr Dick Cheney, the US defence secretary, is expected to use the meeting to upbraid allies for what Washington sees as a disappointing degree of practical support for force deployments in the Gulf.

The US has been seeking help particularly in transporting the forces it is sending to Saudi Arabia. US officials indicated it also wanted assistance in supporting troops already in place and in chemical warfare protection for the multinational forces.

European defence ministers were holding preliminary discussions here last night before joining the US and Canada in meetings of Nato's defence planning committee and nuclear planning group.

The meeting comes half-way through a top-to-bottom review of military strategy initiated six months ago in response to changes in eastern Europe and in the Soviet military posture. A special group is due to report back to ministers next spring, and it is expected that the new strategy may be approved at a Nato summit of heads of state and government.

Government buys time for French school reform

The real test is not more money won by the students but a change in the system, writes Ian Davidson

FRANCE'S secondary-school students, by dint of some spectacular demonstrations this autumn, won a victory in the form of a large increase in public spending on education. However, the most that can be said for it is that it may have gained the government a little time to see whether it can achieve the difficult bit – a reform of the education system as a whole.

As a measure of education's importance in the government's list of priorities, the student victory was not insignificant. The education budget had been scheduled to go up next year by more than FFr20bn (£2bn), to a new high of FFr248bn. This represented an increase of nearly 9 per cent over 1990 and 26 per cent over three years.

But the student demonstrators had little difficulty in persuading Prime Minister Michel Rocard to find an extra FFr4.5bn, despite the government's policy of budgetary rigour, and the demonstrations have, for the time being, largely subsided.

The trial of strength may turn out to have been an important political land-mark. Education has long been a politically explosive issue; twice in the past six years, student demonstrations have brought down the education minister of the day; those of 1968 brought the regime to the brink of collapse, and they followed a smaller wave of protests in 1967. Given the current mood of political unease in France, which is just starting to give off the odour of the end of an era, few commentators are ruling out the possibility that the demonstrations of 1990 could be followed by worse in 1991.

That possibility is all the more real, in that this autumn's confrontation was in essence inconclusive. When the student leaders succumbed to the government's offer to negotiate, they did not really have an articulate list of demands. They settled for an increase in the education budget, without much enthusiasm, but only because most people (starting with the government) agree that education deserves much more.

Successive governments of left and right have adopted a common objective, to double the proportion of school pupils getting up to the level of the *baccalaureat* by the end of the century. This means many more teachers, and more schools; moreover, recent governments have squeezed the capital side of the education budget so as to channel money into salaries. In 1975, capital spending accounted for 20 per cent of the education budget, but by 1988 the proportion had fallen to 12.3 per cent.

Yet despite the bias in favour of salaries, there is still a shortage of qualified teachers, most acutely in key subjects such as maths, and it appears to be getting worse. At the same time, the squeeze on the capital side means that school buildings are dilapidated and classrooms overcrowded. All this creates an environment for angry students (and demoralised teachers), especially in the deprived dormitory suburbs ringing Paris, and it would be enough to explain the recent demonstrations.

The extra money being provided cannot satisfy the real demands of the school students, however, nor solve the underlying problems of the French educational system. The students' chief anxiety is not so much about the state of education as about the state of the economy.

> Few commentators rule out the possibility that the school demonstrations of 1990 could be followed by worse in 1991

With the economy slowing down, they fear that they may fail to get a good secure job. Only those with the best results in the "Bac" have a reasonable chance of a good secure job. But the best Bac results are much more difficult to obtain in the deprived schools of poor dormitory suburbs.

The problem is that the French education system is fixated on the ideal of the Baccalaureat. In one sense, this fixation is working, since the proportion reaching the level of the Bac rises steadily every year. In another sense, however, the system has gone mad.

By convention, the most prestigious examination is the so-called "Bac C", which specialises in maths and science. As a result, all the intellectual high-fliers aim to go for the maths Baccalaureat, even if maths is not their particular forte.

The perverse result, is that there is a shortage of maths teachers, because the maths Bac is treated primarily as a ticket to high-flying jobs in other fields.

The more general difficulty is that the Bac examination, which was originally designed for a small intellectual élite, is not obviously suitable for the mass of students. The French have tried to meet this problem by creating technological and professional baccalaureats alongside the traditional intellectual subjects of general education. But it is now recognised that the system itself needs a new look.

The government has been promising reform since it came to power 2½ years ago, but has hesitated to plump for precise prescriptions for fear of upsetting the conservative corporatism of the teachers' unions. Now, however, it has been presented with a thick report from the National Programmes Council, proposing a series of detailed reforms in the syllabuses of the Lycées (higher secondary schools).

Some of their proposals would obviously improve the quality of French education; a higher priority for music and the arts, more teaching in small groups, more emphasis on the acquisition of learning methods, more time for ancillary subjects, more emphasis on understanding and less on knowledge, a serious effort to reduce the crazy work-load imposed by the Bac.

But the central recommendations, on the composition of the main syllabus subjects, look suspiciously like a re-arrangement of the existing system. Above all, the diagrams setting out each Bac syllabus, with a precise number of weekly hours allocated to each subject, are a reminder that the French education system is essentially monolithic and centralised.

Even so, the government has declared that it will not take a position on the recommendations, until next spring, after it has consulted every possible interest group.

Critics argue that the scale of the system, with 1m unionised employees, makes real reform virtually impossible, and that change will require decentralisation from Paris to the regions. In a country where education is the symbol of the republic, that would not be reform, it would be revolution; and the government shows no sign of taking a revolutionary approach to education.

The Financial Times (Europe) Ltd
Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1990.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: B. Hughes, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Sir Geoffrey Owen. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

WORLD TRADE NEWS

Gummer pledge on rebates for food companies

By Peter Montagnon in Brussels

MR John Gummer, Britain's Agriculture Secretary, yesterday assured European Community food processors that they would not be singled out for special sacrifice in any compromise on world farm subsidies.

Multinational food companies such as Cadbury Schweppes and Nestlé have been worried that the EC might decide to scrap their right to export rebates on food products manufactured in the Community as a device to help overcome the broader Uruguay Round dispute on farm trade reform.

They have warned that this could cost tens of thousands of jobs with investment plans in the Community abandoned and production transferred to countries where raw materials can be purchased on cheap world markets.

Food processors last year received Ecu600m (£423m) out of the total EC farm export subsidy budget of Ecu9bn.

Mr Gummer said yesterday that singling out food processors for special sacrifice would be a dislocating change and contrary to the principles of the Common Agricultural Policy.

Mr Peter Lilley, Trade and Industry Secretary, said the Community was firmly agreed that changes in farm support would not be discriminatory in this way.

● Hilary Barnes in Copenhagen adds: The International Federation of Agricultural Producers (IFAP), which represents national farmers' organisations in 55 countries and several hundred million farmers throughout the world, yesterday called for a Gatt agreement on farm trade including consultation procedures to keep world agricultural markets in reasonable balance.

It wants a stock surveillance system to prevent excessive stocks from building up and then being offloaded on to world markets.

The Danish president of the Paris-based IFAP, Mr H.O.A. Kjeldsen, said after a meeting of the organisation's executive: "Clear and improved Gatt rules and disciplines which reduce trade distortions are an important part of the solution to trade tensions."

Farm row threatens talks on export credit subsidies

By Peter Montagnon

THE dispute over farm support at the Gatt talks may compromise separate discussions on reducing subsidies on export credits in Paris next week.

Trade officials say progress in the export credit talks depends on a Uruguay Round agreement on agriculture strong enough to persuade the US to apply internationally-agreed disciplines to its commodity credits.

These currently fall outside the Organisation for Economic Co-operation and Development (OECD) consensus on export credits. The EC has insisted that they be included following demands from the US for a ban on the use of aid to sweeten export credits in the telecommunications and steel sectors.

Trade officials say that unless US farm credits can be included in the new rules, there is little prospect of a substantial agreement emerging which can impose new curbs on routine interest rate subsidies and on aid support for export credits.

The OECD has until next spring to complete its work in this area, but the complex talks have already fallen behind schedule because of the Gatt dispute on agriculture.

The outcome of this week's meeting in Brussels will affect not only the substance of the OECD talks, but also the atmosphere, as both US and EC officials are due to move directly to Paris, for the week-long discussions starting on Monday.

Japanese keep their heads down as Gatt bullets fly

By William Dullforce in Brussels

WHERE are the Japanese? The question is raised by harassed delegates unable to find solutions to the myriad of complicated trade issues at the Gatt conference.

"It would be fine, if the Japanese would give us a hand from time to time," a senior US official remarked yesterday.

One of the mysteries of this crucial, concluding session of the four-year Uruguay Round is why one of the world's three biggest economic powers and the third biggest exporter is having so small an impact and apparently doing little to resolve the conflicts.

The Japanese are widely regarded as not pulling their weight. Only the size of their delegation reflects their economic and financial power. They came with three ministers, headed by Mr Taro Nakayama, the foreign minister. Their journalists are among the most aggressive in mobbing ministers as they leave consultations.

So why do the Japanese maintain such a low profile in the negotiations? "We like conciliation not confrontation," one ambassador explained. It is true that since the conference opened on Monday other leading powers have been working for a showdown over agriculture.

Reform of world farm trade is not a Japanese priority. Mr Nakayama called for a realistic solution and said the world's largest net importer of farm produce would take an active part in the talks.

The Japanese would happily help the Americans to get rid of export subsidies because they themselves have none. They have matched the EC offer of a 30 per cent reduction in internal farm supports. As for opening up its own market, Japan has removed quotas on nine products, such as beef and oranges, since the start of the Round.

But its negotiators prefer to lie low over the most important issue for their trading partners, Japan's ban on rice imports. The easing of this ban is a very delicate domestic political issue. Tokyo cannot be a major player in the agriculture game.

Yet Japan has much to lose if the Round collapses. A reinforced multilateral trading system would provide their exporters with a better shield against unilateral pressures and threats from the US and the EC.

This is why the Japanese have been quietly active in the less visible areas of the trade talks. Their first priority is to strengthen Gatt rules.

They have been pushing for greater precision in the conditions under which governments can impose punitive duties on exporters accused of dumping – selling goods at prices lower than those on their home markets. They have resisted US and EC attempts to introduce tougher rules against circumvention of these duties by exporters who switch production to third countries or set up assembly plants in the importing country. But there is no agreement on anti-dumping.

Tokyo has fully backed the effort being made to improve Gatt's mechanism for settling disputes. Without such an improvement the US, for instance, is unlikely to abandon the 301 clause in its Trade Act, under which it undertakes unilateral trade actions against other countries.

In all the "new" areas – services, protection of intellectual property rights and conditions for foreign investment – Japan has a clear interest in obtaining market-opening results. Yet it has not been prominent in the negotiations, although in Brussels it has joined with Canada, Sweden and Switzerland to propose a compromise on financial services.

Japanese tariffs on industrial goods are among the lowest in the world and they have offered what they claim to be a 56 per cent further reduction. Yet yesterday one delegate complained that Tokyo had offered nothing on fish and wood products.

A Japanese farmer protests in Brussels yesterday

US and Thailand in brief harmony amid discord

Consensus on Gatt farm subsidy issue papers over friction on trade policy, writes **Paul Taylor**

THE Uruguay Round of trade negotiations under the General Agreement on Tariffs and Trade has spawned at least one uneasy alliance.

US officials in Bangkok are quietly pointing out that for once Thailand, a member of the Australian-led Cairns group of 14 farm goods exporting nations, and the US find themselves on the same side of the Gatt negotiating table in Brussels this week.

Like their US counterparts, Thai trade and commerce officials in Bangkok have been arguing that the EC's offer on farm subsidies reduction is grossly inadequate and threatens to derail the whole Uruguay Round.

It is however, as both sides admit privately, a paper thin partnership because Thailand, like many other rapidly industrialising nations, is bumping into US trade policy at almost every level.

There are outstanding trade disputes between the US and Thailand on intellectual property rights, textile quotas – in which the old bilateral agreement expired two years ago – and tuna fish. On the services front a bilateral air traffic agreement expired earlier this month after negotiations broke down acrimoniously amid accusations of bad faith. Until earlier this month when Thailand accepted a Gatt panel ruling, they were at loggerheads over US cigarette imports.

US officials in Bangkok view the range of trade issues in contention philosophically. "It is all part of a maturation process," said one. "With a rapidly growing economy and a broadened industrial base there is going to be friction. It is just a natural part of trade."

Thai officials by contrast frequently and sometimes publicly express concern that the US is using its economic muscle to throw its weight around and "bully" Thailand on trade matters.

One underlying reason for these differing viewpoints is that although Japan now ranks as Thailand's biggest trading partner, the US remains its biggest export market. It accounted for more than 22 per cent of Thai exports in the first half of 1990, worth $2.4bn. While Thailand runs a substantial trade deficit with Tokyo, its trade surplus with the US is likely to reach about $1.5bn this year.

Thai exports to the US include integrated circuits, electronic machinery parts, tuna, footwear, shrimp, automatic data processing machine parts, Christmas lights and jewellery. Many of these items are covered by US general system of preferences (GSP) status privileges which have helped boost Thailand's exports of electrical and electronic components to the US in particular.

GATT

One issue in particular now threatens to derail US/Thai trade relations – intellectual property rights. The US has long argued that Thailand flagrantly allows breaches of copyright, patent infringements and abuse of trade marks.

The Americans argue that in some areas, such as trade-mark protection, a long-proposed Thai law simply never reaches the statute books because of its low priority on an overcrowded parliamentary schedule.

On patent protection they argue that the existing Thai law needs to be extended to cover pharmaceutical products in particular and that the promise of action by mid-1992 is too late. On copyright they claim that although Thailand, like the US, is a signatory to the Berne Convention "there is no enforcement".

Earlier this month the International Intellectual Property Alliance, a US group representing the interests of American recorded video and audio cassette distributors, took the long-expected drastic action of filing a petition with the US Trade Representative under Section 301 of the US Trade Act seeking an investigation and possible retaliation of alleged copyright abuses.

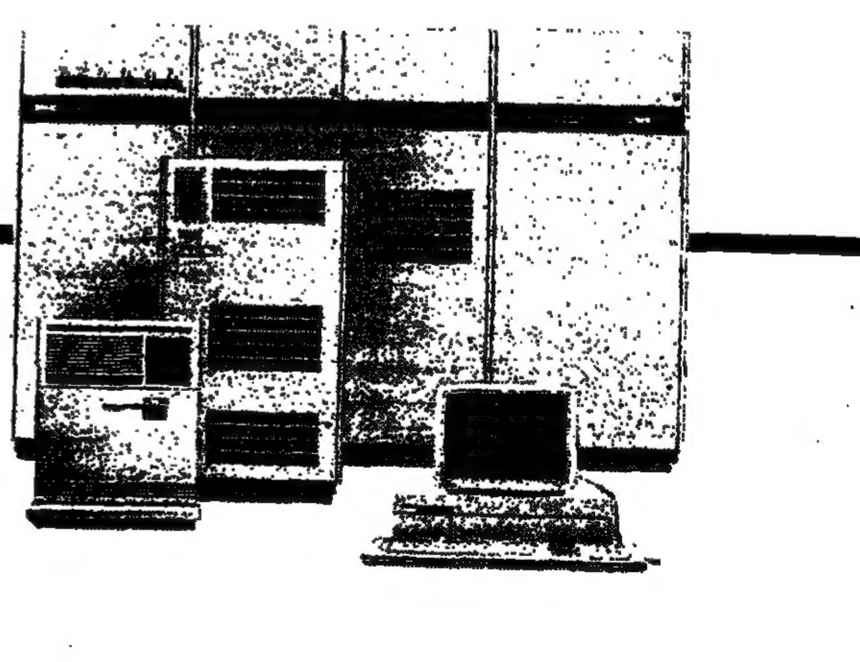
A short walk through any of Bangkok's market areas where pirated video and audio tapes are on sale at low prices suggests the Americans have a case. Copyright costs account for about 20 per cent of the cost of a legitimate copy of recorded music which sells for about 70 baht in Thailand.

But pirated music cassettes, often of dubious quality, sell for as little as 25 baht each. The price of a video copied legitimately is around 300 baht including a copyright fee of between 60 and 70 baht, while a street-side pirated version costs about 150 baht – or less in bulk.

While the 301 action has been welcomed by local distributors of copyright video and audio tapes eager to boost their own sales, the suit poses a real dilemma for the Thai government. If it fails to take action to clamp down on pirated copyright material the US could retaliate by imposing punitive duties on a wide range of Thai imports.

On the other hand most analysts accept that the Thai government has an enormous, and highly unpopular task, if it is to take meaningful action against the copyright pirates. For one thing the price of legitimate copies would push them out of the purchasing reach of many ordinary Thais. In addition the pirate industry, and the distributors of pirated material, are well developed and fragmented. The pirate industry is also thought to be highly profitable and the existing penalties of a maximum one-year jail sentence or 10,000 baht fine or both are seen as a weak deterrent.

Nevertheless the Thai government is expected to take some steps towards cracking down on illegal copying before the US trade representative must report on the 301 action – a process likely to take about 18 months.



AMERICAN NEWS

IMF rewards Argentina with loan release

THE International Monetary Fund has released $265m (£132.6m) in loans to Argentina after the government met economic performance targets, John Barham writes from Buenos Aires.

The loan is the third tranche of a $1.33bn stand-by facility. One fifth of it will be set aside for Argentina to repurchase outstanding commercial bank debts in a future debt reduction package.

In November Argentina sent the IMF a new letter of intent setting out its proposals for fourth-quarter economic performance targets. They include a $328m monthly budget surplus and $125m increase in currency reserves. These reserves now exceed $2.5bn, the central bank has reported.

The government has announced a further slowdown in the inflation rate; the consumer price index rose 6.2 per cent in November, the lowest level in a year. Inflation in the 12 months to November was 1,832 per cent. This is the second consecutive month of single digit inflation since Argentina witnessed an outbreak of hyperinflation earlier this year. In October consumer prices rose an average 7.7 per cent.

The government has slowed inflation by exerting a severe monetary squeeze. However, the resulting illiquidity has driven up the real value of the austral. The currency's value now stands at the level it held in April, even though prices have increased by 144 per cent since then.

However, the central bank has said it can do little to correct the exchange rate – which is causing heavy losses to exporters – without fuelling inflation.

Bush assures Menem of support for democracy

By John Barham in Buenos Aires

US President George Bush arrived in Argentina yesterday on the third leg of his South American tour, just two days after President Carlos Menem crushed a violent military uprising.

Security precautions were reinforced for Mr Bush's 22-hour stay in Buenos Aires, the first by a US president in 30 years. He will not announce any significant policy initiatives in Argentina; rather, the tour is intended to underline the administration's renewed interest in Latin America and to accelerate regional economic integration.

Mr Bush stressed his administration's already strong support for Mr Menem's free-market policies and underlined US support for democracy in the light of Monday's uprising, which left 13 dead.

Argentina's government has accused retired Colonel Mohammed Ali Seineldin, head of an extremist right-wing faction in the army, of leading the uprising. Officials said the government might demand the death penalty for Col Seineldin and other rebel leaders in summary trials. However, the courts have yet to decide whether the rebels will be tried by civilian or military tribunals.

Mr Humberto Romero, defence minister, said the government would also investigate businesses that helped finance the rebellion. The ministry said 334 rebels and sympathisers had been arrested so far.

Bombs went off at two Buenos Aires branches of Chase Manhattan Bank early yesterday morning in protest at Mr Bush's visit. The Eva Peron Commando, a shadowy group that had planted bombs at other banks in October, claimed responsibility for the explosions, which caused only minor damage.

The US-led international effort to force Iraq to end its occupation of Kuwait was also on the agenda at the Bush-Menem meeting. Argentina has sent two warships to the Gulf and its national legislature is today scheduled to discuss their role if fighting breaks out.

In addition to expanded trade, Mr Bush's Enterprise for the Americas Initiative, unveiled in June, calls for debt relief and economic reforms designed to generate expanded investment.

Mr Nicholas Brady, US Treasury secretary, and Mr Lawrence Eagleburger, deputy secretary of state, accompanied Mr Bush and were set for detailed discussions of the initiative with their Argentine counterparts.

The debt-relief part of the package was of special interest to this economically ailing country, which owes $67bn (£34.7bn) to foreign creditors.

President George Bush reviews a guard of honour with Carlos Menem, his Argentine counterpart

Ex-police chief held after Panama siege

A FORMER Panamanian police chief who seized the national police headquarters after a daring jail breakout was captured late yesterday, Reuter reports from Panama City.

Colonel Eduardo Herrera Hassan was detained after attempting to flee the police headquarters building he had captured on Tuesday with about 50 armed sympathisers. Several shots were fired and one of Col Herrera's supporters was wounded before he was apprehended by loyal police and hundreds of US soldiers surrounding the building.

He escaped from the high-security area on Naos Island, off Panama City, when a group of supporters flew in at sundown and picked him up in a civilian helicopter.

Five hours after escaping from prison, he and a dozen armed followers seized the police headquarters building.

Col Herrera, who is a former top officer of the Panama Defence Forces and Panamanian ambassador to Israel, said the men who staged the breakout from jail asked him to be their spokesman for complaints on how the police force was run and its members were being treated.

Col Herrera was jailed in October on charges of plotting a coup against the government of President Guillermo Endara.

Mr Endara was sworn in as president in December when US forces invaded the Central American country and toppled General Manuel Noriega.

Mr Miguel Batista, minister of the presidency, told a local radio station that President Endara and his cabinet had been in emergency session since Col Herrera's escape.

In statements to journalists from the police headquarters, Col Herrera denied he was mounting a coup, saying he and his men were calling for a "rights movement" for policemen. Hundreds of public force members, former soldiers who joined the police after the US invasion toppled Mr Noriega and dismantled his army, have been fired as the new civilian government tries to demilitarise the institution.

Col Herrera was named police chief by Mr Endara last January but then forced out without explanation seven months later.

has been jailed since October 25 on suspicion of involvement in a coup plot. No formal charges have been filed against him.

Canadian broadcasting jobs axed

By Bernard Simon in Toronto

THE government-owned Canadian Broadcasting Corporation is to cut 1,200 jobs, or 10 per cent of its workforce, in an austerity drive forced by a squeeze on government spending and stagnant advertising revenues.

The CBC was expected to announce late yesterday that measures to trim its budget by C$100m ($86.2m) would include closing television production facilities in 10 cities, curtailing its coverage of parliamentary debates, and less funding for its overseas short-wave radio service, Radio Canada International.

The CBC is widely viewed as a bastion of Canadian culture. It provided radio and television coverage in English and French through 85 regional AM and FM radio stations and 31 TV stations, as well as several dozen affiliates.

The corporation launched a 24-hour all-news TV channel in July 1989. While it buys some prime-time TV programmes from the big US networks, the CBC generally projects a more up-market image in both radio and television than most US stations, especially in news and documentaries.

The federal government contributed C$808m, or 78 per cent, of the CBC's operating budget last year. The remainder came from advertising and other revenues. Canadians do not pay radio or television licence fees.

Mr Michael Wilson, finance minister, last year ordered the corporation to cut C$140m from its budget between 1990 and 1993. Earlier this year the corporation CBC trimmed C$35m from its 1990 budget, but its problems have been compounded by a C$50m shortfall in advertising revenues.

World Bank executive turns down EBRD

By Michael Prowse in Washington

MR Ernest Stern, the World Bank's senior vice-president for finance, will not be joining the European Bank for Reconstruction and Development (EBRD) as had been expected.

The World Bank is not making a formal announcement because it says Mr Stern never stated any intention to leave.

Mr Stern's decision to stay on at the World Bank will be a blow to Mr Jacques Attali, president of EBRD. Mr Stern's appointment had been expected to attract other high-calibre executives to EBRD, which is being set up to promote the economic development of eastern Europe.

Mr Stern, 57, one of three senior aides to Mr Barber Conable, the World Bank president, has a wealth of experience in development finance. He joined the bank in 1970. No reasons were given for his decision not to accept Mr Attali's job offer.

However, Mr Stern may play a more important role in eastern Europe by staying on at the World Bank, which is planning to lend between $7bn and $8bn (£4.2bn) to the region over the next two to three years. This is more than any other financing agency.

Officials attending recent international meetings also point out that Mr Attali's brimming self-confidence and forceful manner have sometimes provoked comment.

Observer, Page 20

Beige Book shows weak US business conditions

THE US economy appears to have declined in much of the country as business conditions weaken, the Federal Reserve said in its latest survey of economic conditions, Reuter reports from Washington.

The report, known as the Beige Book, said that in many Federal Reserve districts, economic activity appeared to have declined recently, while it had remained sluggish or had grown slowly in the remainder.

The report was compiled by the Minneapolis Federal Reserve from data collected before November 26.

Business conditions, on balance, were weak although they varied among districts, it added.

The survey said several district banks reported a decline in consumer and business confidence in the US economy. Retail sales were down from a year ago and manufacturing conditions had weakened in most areas.

Soft domestic demand for goods had been partially offset by strong export orders.

Several districts reported some tightening of business loan standards by banks and a decline in business loan demand. Most districts reported continued weakness in construction.

One bright spot was agriculture, where crop yields had been good and livestock prices high.

The report will be used as part of the discussion at the December 18 Federal Open Market Committee meeting.

- A surge in long-lasting durables – such as commercial aircraft and cars – was the primary reason behind the 2.8 per cent October increase in orders received by US factories, the Commerce Department said.

The rise, to a seasonally adjusted annual rate of $250.7bn (£129.9bn), followed a revised 0.2 per cent fall in September. It was the strongest monthly orders rise since March, when they rose 4.0 per cent.

Excluding transportation, orders were up a more modest 0.9 per cent following a 0.8 per cent rise in September. Other surveys, such as those by the nation's purchasing managers, say orders have been weakening recently.

The overall 2.8 per cent gain in October orders was well above economists' expectations for a 1.6 per cent increase.

Reader's Digest goes Cyrillic

The Soviet Union is set to receive yet another piece of American pop culture, Alan Friedman reports from New York.

Reader's Digest, the US magazine that claims a monthly readership of more than 100m, is to start publishing its first Russian-language edition. The Cyrillic version, to appear next August, will be sold for roubles. The magazine said Soviet authorities had guaranteed that no articles will be censored.

The Russian-language edition will have an initial print-run of 50,000 and aims to boost circulation to 100,000 over the first two years.

French speakers sought

Quebec is to open offices in Europe and North Africa in an attempt to double the number of French-speaking immigrants to the Canadian province over the next five years, Reuter reports from Quebec.

"For immigration to contribute to the survival of the French culture, the government has decided to favour francophone immigration," Quebec immigration minister, Mr Monique Gagnon-Tremblay, said.

The francophone province plans to spend C$30m ($25.6m) to set up recruitment and selection offices. Fewer than a third of immigrants to Quebec speak French, making it difficult for the province of 6.5m people to absorb them easily.

Columbian writer shot

Gunmen shot and killed a lawyer who recently wrote a book denouncing Colombian drug traffickers, police said yesterday, AP reports from Bogota.

Mr Duvardo Piedrahita was shot 10 times in the head as he travelled to work on Tuesday in western Bogota.

Mr Piedrahita's latest book, "Colombia: Between Dirty War and Extradition" was published in October. The author criticised cocaine traffickers and defended Colombia's controversial policy of extraditing drug criminals to the US.

Cuban officials expelled

President Guillermo Endara's government has announced it is expelling two Cuban diplomats who allowed a Panamanian refugee inside the Cuban Embassy, AP reports from Panama City.

The refugee apparently telephoned former dictator, Mr Manuel Noriega, at his Miami jail.

Bolivian rebels kill president of Coca-Cola unit

THE president of Coca-Cola's Bolivian subsidiary was killed yesterday by the guerrilla group that kidnapped him six months ago, police said, Reuter reports from La Paz.

Mr Jorge Lonsdale was killed after police surrounded a house in the centre of La Paz where he was being held. On Tuesday Mr Lonsdale's family said they had agreed to pay $500,000 (£260,000) to his kidnappers.

Mr Lonsdale, a prominent Bolivian businessman with widespread interests apart from Coca-Cola, was president of one of the country's most popular football teams. He was abducted from his car on June 11.

A left-wing guerrilla group called the National Liberation Army claimed responsibility. The group includes members of the unit founded by Cuban-Argentine guerrilla Che Guevara in 1967 to fight the military regime then ruling Bolivia.

INTERNATIONAL NEWS

Canberra loses its battle for national company watchdog

By Kevin Brown in Sydney

AUSTRALIA'S hopes of overcoming the cowboy image of local businesses were dealt a blow yesterday after the government conceded defeat in a battle to extend federal supervision of corporate regulation to the whole country.

The government said the Australian Securities Commission (ASC) would start work on schedule on January 1, bringing much of the corporate sector within the scope of federal law for the first time.

The ASC will have a budget of A$70m (£28m) a year, compared to the A$8m budget of the National Companies and Securities Commission, the state-based regulatory authority which it replaces.

However, the ASC writ will not run in Western Australia, the home state of many fallen entrepreneurs including Mr Alan Bond, former chairman of Bond Corporation, and Mr Laurie Connell, head of the failed Rothwells merchant bank.

Western Australia's Labor government favours the ASC, but has been unable to secure parliamentary agreement for enabling legislation because of the opposition of the conservative majority in the state's upper house.

The decision means that more than 20,000 companies which operate on both sides of the Western Australia border will have to comply with state regulations as well as those of the ASC.

It could also mean that new companies seeking to raise capital across the whole of Australia would have to produce two prospectuses, or ensure that a single prospectus complied with both codes. Inter-state takeovers and joint ventures would also be subject to dual supervision.

The federal government does not have the power to impose the ASC, but has persuaded the other seven states and territories to accept it on the grounds that it is in Australia's national interest to be seen to be cleaning up the business sector.

Mr Michael Duffy, the federal attorney general, said the repeated blocking of the ASC legislation by the Western Australia Liberal and National parties was "bloody-minded".

Mr Duffy said their action would "make the enforcement of the corporate regulations far more difficult, especially as it will broaden the scope for criminals to escape the reach of the law by resorting to technicalities".

Mr Tony Hartnell, chairman of the ASC, said the commission would concentrate on being ready to operate from January 1 in the other states and territories.

Mr Hartnell has already announced plans to investigate 16 companies.

However, the exclusion of Western Australia means some will remain out of his reach, including Bond Corporation.

The establishment of the ASC is part of a co-ordinated drive by the federal government and the business community to rid the country of its international image as a haven for "corporate cowboys".

A number of businessmen face charges following an inquiry into the Rothwells collapse, including Mr Connell and Mr Geoffrey Lord, a director of Fosters Brewing and the former managing director of Elders Resources NZFP.

Pilots lead bid to buy Philippine Airlines

By Greg Hutchinson in Manila

A CONSORTIUM of Philippine businessmen and pilots has offered to take the leading role in the privatisation of Philippine Airlines (PAL), the state-owned flag carrier, putting a price on the airline of some $350m (£182m).

The government was said to be considering the offer. President Corazon Aquino wants the airline to be sold off as soon as feasible.

PAL, one of Asia's oldest carriers with highly under-used route entitlements, is heavily indebted, has a relatively old fleet, and has severe staff morale problems after allegations surfaced early this year of big anomalies in the way the company was run.

Under the proposal, $70m would be paid for 25 per cent of the airline's existing shares. The remainder would go to increase the airline's capital by 800m shares with a par value of pesos 10 (19p) per share. Part of the proceeds of this capital infusion will be used to retire PAL's foreign debt. The consortium, called Banahaw International Management Corporation, said that on top of this figure the group will assume about $100m of liabilities.

It envisages foreign investors, possibly another airline, taking a 35 per cent stake, and employees being the next largest category of investor, with 24 per cent.

The government, the public and the consortium would hold 15 per cent, 16 per cent and 10 per cent respectively.

Mr Arturo Rocha, consortium chairman, said the centrepiece of the privatisation offer was its employee stock ownership plan. To make this affordable to the employees, the support of whom is essential for the move from quasi-public service status, the plan provides for the immediate upgrading of PAL employees' salaries to levels prevailing elsewhere in South-East Asia.

Under the plan, PAL's fleet would be upgraded to allow it to fly routes which aircraft shortages now prevent.

Manila announces rise in oil price of 45 per cent

By Greg Hutchinson

THE PHILIPPINES yesterday raised domestic oil prices by an average 45 per cent, bringing pump prices close to the realistic levels demanded by the International Monetary Fund.

The rises announced by the Energy Regulatory Board, which take premium petrol to pesos 15.95 (30p) a litre from pesos 8.87, follow more modest increases last September, which nonetheless provoked violent anti-government protests. Industrial action is expected again.

Last week the government of President Corazon Aquino reached an accord with the IMF on an economic stabilisation programme that would eventually trigger badly needed loan funds.

One of the conditions was raising oil pump prices to help roll back a government subsidy which had been averaging pesos 2.5bn a month and had been contributing much to the country's ballooning budget deficit, forecast at pesos 60bn by the end of this year.

Bankers welcomed the decision but said a price could be paid in terms of further social unrest. The peso cost for petroleum products has been accentuated by a 20 per cent depreciation of the local currency in a year. The dollar price at the pump still does not match that of most western countries.

● THE MIDDLE EAST

Kuwaitis 'favour no attack deal'

By Lamis Andoni in Amman

A KUWAITI delegation in Amman to rally Arab support against Iraq said yesterday that the emirate's exiled rulers would be likely to back any guarantees against attack which the west gave Baghdad if it withdrew from Kuwait.

Mr Mubarak Douwaialah, a member of the Kuwaiti opposition, said the delegation is discussing with Arab leaders proposals that Iraq be offered guarantees against attack both after and during a withdrawal in accord with UN resolutions.

He said that such guarantees, which would leave Iraq retaining its military might after withdrawal, were acceptable to Kuwait's al-Sabah ruling family. "We have discussed the subject with them and they did not object," he said. The delegation comprises former officials, opposition leaders and prominent writers and forms part of a worldwide Kuwaiti campaign – co-ordinated with the al-Sabah family – to counter Iraqi influence within Arab public opinion.

At a meeting last month in Taif in Saudi Arabia, where the exiled Kuwaiti government is based, opposition groups agreed to join ranks with the al-Sabah family against Iraq in return for pledges for a restoration of Kuwait's 1962 constitution allowing for reform and political participation in the event of the emirate's liberation. But the Kuwaiti delegation's statements in Jordan appeared to contrast sharply with the official Kuwaiti defence of the presence in the region of US-led forces.

Some members of the delegation seemed indirectly to rebut the Emir's claim that that Kuwait had sought US military help to liberate the emirate. Mr Mohammed Saqer, editor of the influential Kuwaiti newspaper, Qabas, said: "There was an American plan to send troops to the region, regardless of the Iraqi invasion of Kuwait, but it was provided a golden opportunity to justify its move. The Americans are not here to defend Kuwait but to defend their own interests."

Mr Saqer said the delegation opposed any assault against Iraq. During its visit to Jordan, which has witnessed some of the biggest pro-Iraqi rallies within the Arab world, the delegation was frequently cold-shouldered and constantly challenged to condemn western military intervention.

Some members of the delegation took pains to play up Kuwait's Arab solidarity in the event of an Iraqi pull-out.

Shamir visit will clarify UK's policy

By Hugh Carnegy in Jerusalem

BEHIND the protocol, Mr Yitzhak Shamir, the Israeli prime minister, is thought likely to be rueing the departure of Mrs Margaret Thatcher when he meets Mr John Major, her successor as British prime minister, during a brief London stopover today on his way to the US.

Mrs Thatcher, though an adherent of the EC's insistence that Israel should make concessions on the Palestinian issue, was regarded in Israel as a friendly figure who sympathised with its refusal to deal with the Palestine Liberation Organisation. Latterly, her belligerent stance against Iraq further cemented her standing.

Mr Shamir will be alert to scent any shift of emphasis under Mr Major. His officials say they are satisfied that British policy on the Gulf crisis will not change. But there will be concern that Mr Major may incline more towards what Israel regards as the pro-Palestinian bias of the Foreign Office.

Mr Major's brief stint as foreign secretary last year included a frosty exchange with Mr Moshe Arens, then Israeli defence minister, over Israeli policy in the occupied West Bank and Gaza Strip.

Under pressure from Washington to show some flexibility to undermine Iraqi attempts to link the Gulf crisis to the Palestinian issue, Mr Shamir has talked in the last week of producing "new ideas" for unblocking the violent stalemate in the occupied territories. But there has been no sign of any substantive initiative.

An aide said yesterday dealing first with Iraq was "almost a condition" for any new moves. The two subjects will be at the heart of Mr Shamir's meeting with President George Bush.

Mr Shamir will also be pressing in both London and Washington for aid to help Israel accommodate a huge inflow of Soviet Jewish immigrants.

A Palestinian throws aside an exploding tear gas cannister in Ramallah on the West Bank yesterday. He holds a rock in his other hand.

Congressmen warn Bush on war powers

By Peter Riddell, US Editor, in Washington

CONGRESSIONAL Democrats have warned the White House that President George Bush must obtain approval from Capitol Hill before initiating any offensive military action in the Gulf, unless American lives are in imminent danger.

A non-binding resolution has been approved 177 votes to 37 by the House Democratic caucus. This underlines the growing divergence between many Democrats and the administration in recent weeks since a further build-up in troops.

The divergence has also been reflected in differences about how long economic sanctions should be allowed to work in face of growing administration impatience and doubts about their effectiveness.

Separately, 54 Democratic members of Congress have gone to a federal court asking a judge to stop President Bush going to war unless Congress first votes its approval.

This goes to the heart of the US constitution and a long-standing debate about the powers of the president as commander-in-chief in directing US forces and the prerogatives of Congress in declaring war. After hearings late on Tuesday, the judge reserved his judgment after pointing out that no court had issued the injunction which the Democrats are seeking.

Democrats were alarmed by comments on Monday by Mr Dick Cheney, the US defence secretary, that the president had authority to order military action without formal congressional approval.

This issue has surfaced repeatedly during the current series of hearings. Mr Robert McNamara, the US defence secretary during the Vietnam War, has told the Senate Foreign Relations committee that he does not believe "the president should, and I do not believe he will, initiate action without the approval of the American people expressed by the approval of Congress".

NEWS IN BRIEF

Hostage wives arrive in Baghdad to plead

A GROUP of 39 British and American women arrived in Baghdad yesterday to try to see their husbands and plead with Iraqi officials for their release, Reuter reports from Amman. Another group of 15 American women and three men also went to seek the release of family members held since Iraq's invasion of Kuwait on August 2.

President Saddam Hussein has promised to release all foreign hostages over a three-month period beginning December 25 so long as his forces were not attacked.

US oil client holds talks

Iraq said Mr Oscar Wyatt, the chairman of Coastal Corporation, one of Baghdad's main oil clients in the US, held talks with President Saddam, Reuter reports from Baghdad.

The Iraqi news agency INA said the meeting was attended by Coastal board member Mr John Connally – a former US treasury secretary and ex-governor of Texas.

Soviet citizens to be airlifted

The Soviet Foreign Ministry welcomed Iraq's decision to allow Soviet specialists to leave the country and said preparations, likely to include special charter flights, were under way, Reuter reports from Moscow.

Mr Vitaly Churkin, foreign office spokesman, said Moscow expected no further difficulties with the planned evacuation.

Turkish-Iranian meeting planned

Mr Ali Akbar Velayati, Iran's foreign minister, is expected to pay an official visit to Turkey on December 12-14, a Turkish government source said, Reuter reports from Ankara

Mr Turgut Ozal, the Turkish president, held Gulf talks with Iranian President Ali Akbar Hashemi Rafsanjani last month.

Motorola boost for Hong Kong

By John Elliott in Hong Kong

THE OPENING in Hong Kong's New Territories this week of a HK$400m (£26.67m) to HK$500m regional headquarters and development centre for Motorola, the US electronics company, has given a much needed boost to the colony's ambitions to develop high-technology industry.

Hong Kong has been left behind in the sector by Asian neighbours such as Singapore, South Korea and Taiwan. Its free-enterprise oriented government has no policies of industrial intervention, and local entrepreneurs have shown little interest themselves in investing in research and development.

Instead companies have moved many traditional labour intensive businesses such as toy making and medium and low-technology electronics to adjacent areas of South China. Up to 2m people are estimated to be employed by Hong Kong companies in the adjacent Chinese province of Guangdong, more than twice as many as the 800,000 in Hong Kong's own manufacturing industry.

Concern about prospects after Hong Kong returns to China after 1997 has also deterred investment, especially after the Tiananmen Square crisis last June. Some companies cancelled projects after June and overseas investment in industry rose by only 14 per cent last year to a total of HK$29.7bn, compared to a 24 per cent increase in 1988.

Many overseas companies, including Motorola, see Hong Kong as a future springboard into China but few back this up with industrial investment on the ground. Hong Kong is therefore developing as a service centre for China, especially the south, and little progress has been made in high-technological industry.

Mr James Norling, US-based president of Motorola's semiconductors' division, said: "Hong Kong has excellent satellite communications for us to link up with Motorola elsewhere, plus free port facilities, low tax rates, and good and improving higher education facilities. Its labour costs are roughly the same as its neighbour's and 35-40 per cent less than Japan's."

He expects electronics manufacturers in the region to provide a market for semiconductors totalling $15bn (£7.8bn) by 1995 compared with $6bn to $7bn now.

The Motorola facility is on an industrial estate at Taipo, run by a government-backed industrial estates corporation. The estate consists of 80 factories with other products ranging from soy bean sauce to concrete piles.

World Bank resumes normal loans to China

By Peter Riddell, US Editor, in Washington

THE World Bank has approved the first non-humanitarian loan to China since the Tiananmen Square massacre 18 months ago.

The loan, amounting to $114m (£59.3m) for technological improvements in rural industry, represents a significant step in the normalisation of relations with the Peking government. Until recently the US, the largest shareholder in the bank, had insisted that any loans be solely for humanitarian purposes, such as earthquake relief and poverty assistance.

But Japan and the European Community have in recent months resumed normal lending to China and the Bush administration has gradually been improving relations, in spite of strong warnings about the Peking government's human rights record and treatment of dissidents.

The US has welcomed the Chinese support for the international coalition against Iraq and last Friday President George Bush saw Qian Qichen, the Chinese foreign minister, the day after China abstained on, rather than vetoed, the United Nations resolution authorising the use of force to expel Iraq from Kuwait.

However, this meeting has been strongly criticised by Congressional leaders and earlier this year a law was passed triggering a possible reduction in the US contribution to the World Bank if non-humanitarian loans to China are made. However, there is a loophole for the White House to make an exception.

Chief justice in Ershad post

By Reazuddin Ahmed in Dhaka

OPPOSITION political parties in Bangladesh have chosen Mr Shahabuddin Ahmed, the country's chief justice, as head of a caretaker government following the resignation on Tuesday of President Hossain Mohammad Ershad.

Hundreds of thousands of people have taken to the streets in celebration since Gen Ershad's announcement signalled the end of almost nine years in power.

Demonstrators ransacked offices of his Jatiya Party. Gen Ershad, who through Jatiya controls two-thirds of the legislature, is expected to support Mr Ahmed's candidacy in a parliamentary session on Saturday. Elections are then due within three months.

The two main opposition leaders, Mrs Khaleda Zia of the Bangladesh Nationalist Party and Sheikha Hasina who heads the Awami League, appealed on radio and television for restraint. However, they appeared to endorse demands that Gen Ershad and his wife Roushan should be put on trial for an alleged plundering of the country's wealth.

Dry run for Nigerian democratic elections

Local government poll is bringing the doubts to the surface, writes William Keeling

CIVILIAN politicians are taking centre stage again in Nigerian politics, making lavish promises and wild accusations.

According to who you talk to, electoral lists are being doctored, register cards illegally sold and canisters of tear-gas smuggled into the country by malcontents bent on disrupting political rallies.

Local government elections on Saturday will be the first since a military coup d'etat in 1983 and marks the initial step in a programme scheduled to transfer power to a civilian administration in 1992.

The process leading to the elections has been less than smooth after the government announced that it had decided on a two-party system for what will be Nigeria's third republic. Thirteen political associations applied for recognition but all were refused on the grounds that they were characterised by ethnic, regional and religious divisions.

What was more, the government accused the associations of being sponsored by former politicians banned under a blanket decree.

Instead, President Ibrahim Babangida announced that two new parties, the Social Democratic Party (SDP) and the National Republican Convention (NRC), would be created. The constitutions, manifestos, party colours and symbols of the new parties were drawn up by the government which has spent more than £51m building party offices throughout the country. The parties have also been provided with campaign grants of some £15m each.

Babangida: real intention questioned

Despite its watchful eye, however, there is increasing evidence that the government has failed to keep the parties free of factionalism. There are fears that the two-party system may actually exacerbate the problems of a north-south divide with the NRC regarded by many as a predominantly northern party and the SDP as mainly southern.

This is publicly denied but politicians and their supporters have lacked conviction when promoting the issue of national unity. As a leading businessman from the northern city of Kano and a supporter of the NRC remarked quite ingenuously: "The dichotomies of north and south no longer exist. The southerners know it and they can't deny it."

The new breed of politicians also privately admit that among the power brokers of the parties are many banned former politicians.

"The ban is purely superficial," explained an adviser to one of the party chairmen. "Of course the old politicians are there and are extremely influential."

At the same time President Babangida has been accused of adopting a "hands-on approach" to managing the democratic process. He recently summoned the leaders of the two parties to lecture them on "the economic, social, and security policies and programmes of this administration".

This is causing public disenchantment. As Mr Ray Ekpu, editor-in-chief of the respected Newswatch magazine, explained: "People are becoming sceptical that this (the transition programme) is all a government show."

The weak image of the parties has been further undermined by similarities in their policy objectives. President Babangida had announced that the NRC would be "a little to the right" of the political spectrum, and the SDP "a little to the left", but differences in the manifestos with which they were endowed are few.

Charges made by the NRC that their opponents are socialist have been vigorously denied by the SDP and, as one politician noted, "with the two parties drawing together, we are in danger of becoming a one-party state".

President Babangida has made clear that the parties must not comment on regionalism, ethnicity and religion. And both parties have been careful not to criticise current economic policy with the government known to be protective of its adjustment programme.

This has left the politicians with little room to manoeuvre except to make broad statements pledging to improve the electorate's standard of living. And as one observer commented: "The electorate know enough about politicians to be extremely sceptical of such promises."

A low turnout at the elections is expected and would be a sign of public cynicism in the manner in which the transition programme is being handled. Many Nigerians have questioned President Babangida's real intent.

Critics point to the way in which he is "civilianising" his regime by retiring senior military members from the armed forces while retaining their services in government.

There is also concern that the controversial decision to use the open-ballot system for the local government elections, in which voters queue behind pictures of candidates and are counted by officials, may lead to violent incidents at the polling stations.

Some observers believe that the government might then use such incidents as an excuse to postpone the transition programme. The local government elections are likely to be a test not only of the new political parties but of the true intentions of the government.

Pretoria ends TV monopoly

THE South African government yesterday granted an independent television company permission to broadcast news, ending a 15-year monopoly of the state-owned South African Broadcasting Corporation (SABC), Reuter reports from Johannesburg.

Mr Gene Louw, home affairs minister, said the pay-television channel M-Net, owned by a consortium of newspaper publishers, would be allowed to broadcast news and documentaries from January 1 for a limited time each evening, though not in direct competition with the SABC.

Among several conditions, both M-Net and the SABC were ordered to ensure that news was not presented "in a sensational manner" and that material was not "obscene".

The move, in line with government commitments to deregulation, was likely to please mainly black anti-apartheid opposition groups who have long complained of pro-government bias by the SABC and its television arm, which was set up in 1976.

UK NEWS

Decline in industrial action follows international trends

By Our Labour Editor

THE fall in industrial action among workers in Britain during the 1980s improved the country's record compared to other industrialised countries, but was in line with a broad international swing away from extensive disruption.

An Employment Gazette comparison found that Britain dropped from fourth to ninth in a ranking of countries by the amount of industrial action between 1979 and 1988. Disruption fell substantially in all European Community states studied.

In 1979, Britain's record of 1,270 working days per 1,000 employees being lost was better only than that of Spain, Italy and Ireland. The figure had dropped to 170 days in 1988, but rose slightly to 180 days in 1989.

There was a general decrease in the number of working days lost between the first and second five year-periods studied. Only six of the countries – including Denmark, Germany and Greece, – recorded a higher figure.

Particular industries accounted for a high proportion of industrial action in most of the countries belonging to the Organisation for Economic Co-operation and Development and the International Labour Organisation.

The number of disputes in mining, manufacturing, construction and transport, was about twice as high as that for industries and services as a whole. In Britain, the 1984-85 coal dispute reinforced this.

The figures were continuing to fall in most countries when 1989 was taken into account. Britain lost an average of 450 working days per 1,000 workers each year in the decade to 1988, while in the decade to 1989 it lost 330.

● There was a substantial increase in the proportion and number of women working in Britain in the 1980s, with the number of self-employed women more than doubling and 1m more married women working by the end of the decade.

A government study published yesterday found that 10.7m women of working age – or seven out of 10 – were at work last year. This was about a fifth higher than the number of women working in 1979.

The study suggests that the push by employers in the late 1980s to draw back into work women who left to bear and take care of children had a marked effect on the structure of British employment.

Electricity offer likely to be most popular yet

By Clare Pearson and Juliet Sychrava

THE offer to sell shares in Britain's 12 regional electricity companies closed on a triumphant note yesterday after they had attracted more applications from the public than any other privatisation yet staged by the government.

More than 3m applications had been processed by yesterday morning and government advisers privately estimated that figure would have doubled by the time counting was over at the weekend.

They said the number of requests for shares was certainly higher than the 4.5m record set by British Gas, floated in much stronger stock market conditions in 1986.

The offers for all 12 of the companies have been oversubscribed as the public has scrambled to take part in what is expected to be the last big government sale aimed at the private investor.

Each offer to buy shares in a given company is being counted separately, even if it is made on a single form along with applications for other companies.

PRIVATISATION

People queued round the block to hand in their forms ahead of the 10am deadline in the City of London. They were in festive mood, appearing to cast aside concerns about a nervous stock market and the threat of war in the Gulf.

"It's easy money to make," said an electronic engineering student in the queue.

And among the colourful mix of pensioners buying for grandchildren, men in suits and motorbike messengers, there was the odd apparently principled investor. "I'm trying to support the government, the country, and free enterprise," said one young man. He was, he added, a member of the Stock Exchange. It was a remark which might have met the official approval of Mr John Wakeham, energy secretary, who yesterday said the £5.2bn flotation was "likely to be the best privatisation yet."

When the basis of allocation is announced on Monday, *there is bound to be* disappointment for those who receive less shares than they applied for.

The average application in each company has been for 500 shares, worth £1,200 at the 240p fully-paid price. So if just 3m applications were made, the public would have asked to buy £3.6bn worth.

Clawback from overseas buyers, which depends on public demand for the aggregate number of shares, has already been triggered. Shares will be taken away from UK institutions according to whether an individual offer is more than 2½ times subscribed.

I.G. Index, the financial bookmakers making a form of advanced market in the shares, yesterday afternoon quoted them at a average premium of 34p to their 100p partly-paid price, 2p higher than at the start of the day.

Observer, Page 14; Lex, Page 16

LOCAL GOVERNMENT REFORM

Heseltine proposes cross-party talks

By Alison Smith

MR MICHAEL Heseltine, Britain's environment secretary, yesterday sought to take the high ground on local government finance, by offering cross-party talks and proposing a wide-ranging review, to include the structure of local government.

As Mr Heseltine outlined his plans for overhauling the poll tax – the new charge levied by local authorities to pay for services and amenities – he made it clear that no complete solution could be identified and implemented in under two years.

But he hinted at interim adjustments to soften the impact of the poll tax before then, speaking of a programme of "building blocks" leading to a clear objective.

In his first ministerial speech in the House of Commons since he resigned almost five years ago, he said that the country would want all the political parties to try to agree a stable and just basis for local government.

Confirmation of the review's wide terms means that it could include the proposals Mr Heseltine espoused as a backbench MP, such as single tier local authorities, new ways of making local councils more accountable to their local communities, and "banding" the tax so that those on higher incomes pay more.

Holding out opportunity of talks: Heseltine offers Labour opposition chance to join review

Saying that local government structure and finance had to be addressed together, he implicitly criticised the previous poll tax review: "In advocating accountability, successive governments have not dealt with the structural and functional weaknesses to make accountability a reality."

With Mr John Major, the prime minister, sitting alongside him on the front bench, Mr Heseltine was given a noisy hearing in the debate.

Opposition Labour MPs jeered as he said that he hoped to explore with opposition parties and with local authorities how far they could set up common principles for the future role of local government.

Mr Bryan Gould, the Labour environment spokesman, said that Mr Heseltine seemed to be suggesting that the Tories were so "bereft of ideas of your own, that you are prepared to come a-begging to ask others if we might be prepared to help."

He tempered his initial rejection of the idea, however, by expressing a willingness to talk if the basis for discussion were firstly the abolition of the poll tax, and then Labour's own plans for a property-based tax related to ability to pay.

Facing repeated Labour demands to commit himself on the possible abolition of the poll tax, Mr Heseltine insisted that: "No options are ruled in and no options are ruled out."

Taunted by Mr Gould about his "superfluity" of ideas for reforming the poll tax, Mr Heseltine did not disown the vigorous criticisms he had expressed since his resignation from the government in 1986, but said that as a minister, his responsibility was to start afresh.

The priorities, he said, must be to ensure that the conclusions of the review were seen as fair by the British people, and to replace conflict between central and local government with partnership.

Mr Heseltine did not criticise left-wing councils but instead paid tribute to a new spirit of co-operation in many of Britain's inner cities, where local councils had joined with the private sector to bring about regeneration.

Britain promises to contribute £250m in aid to Africa

THE government yesterday announced that Britain will contribute at least £250m in aid to the next World Bank Special Programme of Assistance for Africa, writes Michael Holman.

Mrs Lynda Chalker, Minister for Overseas Development, yesterday told the Foreign Affairs Committee on policy towards southern Africa that the aid will "at least" match the UK's £250m contribution of when the fund was first launched in December 1987.

The fund helps finance the adjustment programmes of low-income, debt-distressed countries of sub-Saharan Africa. It initially covered the period 1988-90, and is estimated to have provided about $15bn to 21 countries.

In June this year donors agreed to extend the programme a further three years, and a pledging meeting was held in October.

The exact size of Britain's contribution, and the timing of its announcement, is linked to the UK public expenditure cycle.

Mrs Chalker told the committee that Africa's high rate of population growth – an average annual growth of 3.2 per cent – was "the most critical problem we face in development terms."

There was inadequate statistical data on which to base an assessment of the impact of Aids on population growth, but the World Health Organisation's figure of 5m Africans who were HIV positive was "a very low estimate indeed."

Professor John Howell, director of the Overseas Development Institute (ODI), the London-based research centre, told the Commons committee that "as political settlements are achieved in South Africa, we can reasonably expect that the whole region will become an area of relitavely rapid economic growth."

He expressed caution about linking aid to democracy in Africa: "There is a danger of over-simplifying the link between democracy and economic development."

CHANCELLOR'S FIRST PUBLIC STATEMENT ON THE UK ECONOMY

Lamont acknowledges Britain in recession

By Peter Marsh

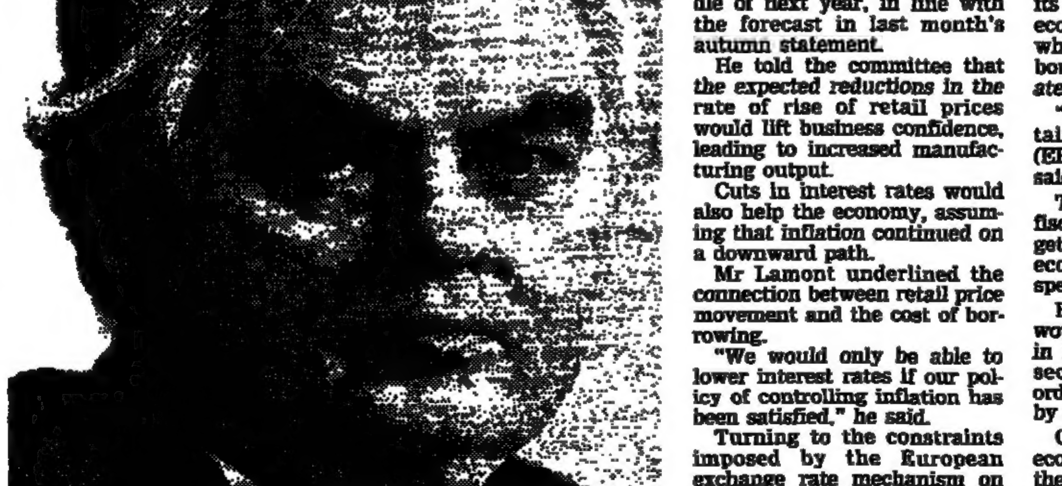
MR NORMAN Lamont yesterday acknowledged that Britain was in a recession and explicitly linked the government's policy on reducing interest rates to the speed with which inflation declines.

The new chancellor, in his first public statement on the UK economy since he took office last week, refused to give any commitment to cutting the 14 per cent base rate; the subject of feverish speculation in financial markets over the past month.

In a robust performance while giving evidence to the House of Commons Treasury and Civil Service Committee, Mr Lamont reaffirmed that controlling inflation was the government's main economic priority.

He said the annual inflation rate, which was 10.9 per cent in October and which government figures next week are likely to show was about 10 per cent in November, had "a good chance" of coming down in the next few months. The Treasury is forecasting a rate of 5.5 per cent by the end of 1991.

Mr Lamont said that definitions of a recession in terms of economics were probably less helpful than a qualitative description of conditions facing the business world.



Glyn Genin

Norman Lamont: robust debut performance in parliament

"Business, I know, is really rough," he said, echoing the sentiments of recent surveys which have shown that manufacturers' confidence is at the lowest point for 10 years.

But Mr Lamont insisted that the economic outlook was likely to improve from the middle of next year, in line with the forecast in last month's autumn statement.

He told the committee that *the expected reductions in the* rate of rise of retail prices would lift business confidence, leading to increased manufacturing output.

Cuts in interest rates would also help the economy, assuming that inflation continued on a downward path.

Mr Lamont underlined the connection between retail price movement and the cost of borrowing.

"We would only be able to lower interest rates if our policy of controlling inflation has been satisfied," he said.

Turning to the constraints imposed by the European exchange rate mechanism on Britain's ability to adjust interest rates, Mr Lamont said he thought that keeping sterling within its fixed ERM band would generally be compatible with domestic economic policies.

But in answer to questions by the committee he appeared not to rule out the possibility of Britain increasing interest rates to keep the pound above its ERM floor, even if the UK economy was in a weak state where increasing the cost of borrowing seemed inappropriate.

"The government will maintain the pound within the (ERM) band whatever comes," said Mr Lamont.

The chancellor ruled out a fiscal stimulus in the next budget to restore growth in the economy by boosting public spending.

He also said the government would "drive a *hard bargain*" in its negotiations with public sector wage negotiators in order to keep down pay rises by government employees.

On the question of European economic and monetary union, the subject of an inter-governmental conference starting next week, Mr Lamont said he recognised that Britain faced an "extremely difficult and extremely long" negotiating period with its European partners to win acceptance for its hard Ecu scheme for a parallel currency.

Italian banks win protection from legal action in UK

By Raymond Hughes, Law Courts Correspondent

SIX Italian banks have won a High Court ruling that they cannot be sued in England by Royal Bank of Scotland on a claim by RBS to be reimbursed under letters of credit.

Mr Justice Phillips, the judge, said yesterday that the issue whether the Italian banks could justify their failure to perform their contractual obligations to RBS could not be resolved in England since England was not the "place of performance" of the obligations.

The effect of the ruling is that, subject to appeal, RBS will have to litigate in Italy. The banks were Cassa Di Risparmio Delle Provincie Lombard, Banca Popolare Veneta, Banca Nazionale Del Levoro, Credito Bergamasco, Banca Popolare Bergamo and Istituto Bancario San Paolo Di Torino.

The judge said the jurisdiction issue raised questions of general importance in the field of international banking.

He said Italian importers had purchased Argentinian pears under contracts that provided for payment in US dollars under irrevocable letters of credit to a company called CIR in London.

On the importers' instructions the Italian banks asked RBS to confirm the letters of credit, stating that claims for reimbursement by RBS should be made to American banks. RBS confirmed the letters of credit and paid CIR.

The importers, suspecting they were the intended victims of a fraud, instructed the Italian banks to freeze the credits and the US banks' authorisation to reimburse RBS was revoked.

The judge said that under the 1968 Brussels convention on jurisdiction and the enforcement of judgments in civil and commercial matters parties must be sued in their country of domicile. However, RBS claimed to be entitled to sue in England, relying on Article 5(1) of the convention which provided that in matters relating to a contract a person could be sued "in the courts of the place of performance of the obligation in question."

RBS claimed that the "place of performance" of the reimbursement obligation was London; the Italian banks said it was the US.

RBS contended that the general rule of English law required the debtor to seek out the creditor at his place of business and pay him there.

Mr Justice Phillips said it was not realistic to attempt to identify the place of performance of the reimbursement obligation in international credit transactions by the application of any general rule.

He said each request to RBS to confirm the credit had stipulated, in effect, that reimbursement should be claimed from a specified bank in America, and after confirming each credit RBS had confirmed that it would so claim.

RBS contended that those were provisional arrangements. The judge held that they were contractually binding agreements. He said the stipulation for the use of an American reimbursing bank made America the place of performance of the reimbursement obligation.

Reagan tells Cambridge Union of chaos threat to Soviet society

Former US president Ronald Reagan waves to students at Cambridge University yesterday. Earlier Mr Reagan, at a lecture marking the Cambridge Union's 175th anniversary, told of Mrs Thatcher's "counsel and support" in dealing with the Soviet Union. However, he warned that the country now faced possible "chaos, civil strife, perhaps anarchy and widespread famine" if President Gorbachev's reforms were not pushed forward. "The spill-over from such an upheaval would become everyone's business," Mr Reagan said.

BRITAIN IN BRIEF

Editor to head No 10 policy unit

Mrs Sarah Hogg, economics editor of the Daily Telegraph, has been appointed to the key post of policy unit head at 10 Downing Street.

The policy unit, usually seven-strong, puts forward ideas and offers critiques on suggestions which come from elsewhere.

Sarah Hogg: John Major admired her style

Mrs Hogg, 44, who is married to Foreign Office Minister Douglas Hogg, takes up her new appointment tomorrow. Her salary from January 1 will be £70,750.

Housing starts show slight rise

Housebuilders in Britain started work on 39,100 homes in the three months to the end of October, according to the Environment Department.

The department said that, after allowing for seasonal variations, this was 8 per cent more than the previous three months but almost 12 per cent lower than in the same period last year.

Minister defends telecoms policy

The success of the government's policy to increase competition in the telecommunications market should not be judged by any damaging impact on BT's market share or profitability, said Mr John Redwood, minister of state for corporate affairs.

Speaking in London to a Financial Times conference *on the recent review of* telecommunications, Mr Redwood explained the government did not have any targets in mind for the reduction of BT's profits or market share.

He also promised that once sufficient competition has developed in a particular market segment, it should prove possible to reduce regulation.

Mr Malcolm Argent, group director at British Telecom, said his company's submission to the government in advance of the review had asked for no gifts or favours.

He said, however, BT's main area of concern about the review was that the government did not appear to be aware of the implications of opening up the market to BT's pricing policies.

Visitors to UK reach 'record'

The number of overseas visitors flocking to Britain is set to reach a record this year, according to figures published the British Tourist Authority.

A total of 14m foreign visitors came to the UK in the first nine months of 1990 – 3% up on the January-September 1989 figure, the Authority said.

The record annual figure of 17.3m, achieved in 1989, is now on course to be beaten.

The amount spent by overseas visitors could also reach an all-time high. In the first nine months of 1990 spending totalled £5.7bn – up 8% on the same period in 1989.

The annual record, set last year, is £6.9bn.

Powell warns on Kuwait

General Colin Powell, chairman of US Joint Chiefs of Staff, warned Saddam Hussein that the US would not compromise "one millimetre" in its determination to see Iraqi troops out of Kuwait.

Gen Powell, speaking at the Royal United Services Institute in London, stressed that the firepower of the multinational force was formidable and Iraq was not facing an army of teenage cannon-fodder.

Gen Colin Powell: emphasised US determination

Asked by the US cable television network CNN, which is received in Iraq, to send a message to Saddam, he said: "The firepower assembling in the region – US, Egyptian, UK, Syrian, two dozen countries – is formidable."

General Powell said he hoped a peaceful solution could be found, but "if we have to use force, the US intends to use overwhelming force to win decisively as quickly as possible with as few casualties as possible."

Gulf news, Page 5

Britain in new bid for EC aid

The government agreed in Parliament to make a new bid to secure financial aid from the European Community for Cammell Laird Shipbuilders.

Mr Edward Leigh, junior industry minister, undertook to make a fresh approach to the European Commission to waive the rules of the Community's seventh directive on shipbuilding so that assistance could be provided to Cammell Laird in respect of specific orders.

He did so after Labour opposition MP Frank Field suggested that the Commission should be asked to reconsider its earlier refusal to sanction aid for Cammell Laird because of the changed circumstances arising from the contraction of naval construction.

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Visitors to UK reach 'record'

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MANAGEMENT: Marketing and Advertising

Trends

The balance of power changes in Europe

German unification has begun to influence the flow of investment in the advertising industry northwards from southern European countries, reports **Alice Rawsthorn**

At a time when the advertising markets in the US and UK are in the doldrums, continental Europe has assumed a new importance for the international advertising industry.

Europe became one of the most buoyant areas for advertising in the 1980s and seems set for further growth in the 1990s. However, the £29bn European market is now showing signs of slowing down, albeit not so dramatically as in the US.

Moreover, the balance of power in European advertising is changing. The southern markets, notably Spain and Italy, which showed strong growth in the late 1980s, are faltering, as is France. The newly unified Germany and Austria, the gateway to eastern Europe, are now emerging as the most dynamic markets of the early 1990s.

There were two main catalysts for the expansion of the European advertising market in the 1980s. One was general economic growth, especially in the emerging economies of Spain, Greece and Portugal. The other was media deregulation which stimulated expenditure as additional advertising airtime became available in countries such as France and Italy.

Advertising revenue rose rapidly across the continent. Some countries experienced really frenetic growth. The Spanish advertising market, for instance, has doubled in the past three years. Portugal and Greece have also raced ahead.

The international advertising networks scrambled to strengthen their presence in these markets. One by one the US, UK and French agencies opened new offices in Barcelona, Madrid, Lisbon and Athens.

At one stage the competition to find suitable acquisitions in Spain became so intense that Boulet Dru Dupuy Petit of France invested in Diagonal, a Spanish start-up agency, barely a month after its formation.

The established European markets – France, Italy and West Germany – were also enjoying healthy growth. So, until the middle of last year, did the UK, the most mature European market of all.

The European market has since slowed down. The UK market has deteriorated, as has Scandinavia, always a weak area for advertising. The level of expenditure in continental markets such as France, Italy and Spain tailed off in early autumn. Saatchi has now reduced its forecast for 1990 European advertising revenue growth from 10 to 8 per cent.

"The picture is still reasonably bright," says Richard Humphries, chairman of Saatchi & Saatchi Advertising Worldwide in London. "We do not expect to see the same downturn in continental Europe as we are experiencing in the UK and the US, but the rate of growth is slowing down."

The reasons for the slowdown vary from country to country. The French market is approaching maturity. Italy is over-heated. The industry in Spain is experiencing a hiatus before another period of frenetic growth in the approach to the Barcelona Olympics in 1992.

However, every European country has been affected to some extent by the uncertain outlook for the global economy in the light of the Gulf crisis, higher oil prices and the deepening US recession.

"Whenever the economic situation is shaky, companies become less confident about spending money on advertising," says Maurice Lévy, chairman of Publicis in Paris. "And at present the international situation is very shaky indeed."

So far the slowdown has been comparatively modest. Saatchi recently reduced its 1990 growth forecasts for France from 11 to 8 per cent and for Italy from 14 to 9 per cent. The forecast for Spain has fallen from 23 to 21 per cent. Even so, all three markets will still grow faster than inflation.

"There has been a change in market conditions, but it should not be exaggerated," says Jean-Claude Boulet, chairman of Boulet Dru Dupuy Petit in Paris. "We cannot expect to see the same rate of growth as in the past few years, but we are not talking about a catastrophe."

In any case the slowdown in France, Italy and Spain has been countered by a sudden surge in advertising expenditure in the central European markets of Germany and Austria.

The German market gained momentum in May and has raced ahead with each successive step towards unification as advertisers have attempted to attract the attention of the millions of new consumers in eastern Germany.

This heady growth seems set to continue for the foreseeable future. Many of the international advertising networks are busily expanding their German operations, just as they did in Spain a few years ago.

Young & Rubicam is considering opening agencies in Dresden and Berlin. Publicis may expand its small Berlin office.

In the longer term, as the newly unified Germany gathers momentum, the German agencies may also assume a more prominent role in pan-European advertising. Saatchi recently transferred part of its pan-European work for Procter & Gamble from London to Frankfurt.

Richard Humphries suspects that other multinational accounts could eventually be run from Germany, rather than the UK, the traditional centre of pan-European advertising.

Austria is another country where the industry is benefiting from the changes in eastern Europe. The growth of the local Austrian market is still constrained by the limited availability of commercial airtime, but Austria is becoming increasingly important as an investment centre for central and eastern Europe.

Ogilvy & Mather and McCann-Erickson both co-ordinate their eastern European activities from Vienna. Other agencies are now expanding *their Austrian operations to* enable them to play a more strategic role across central Europe.

As the expansion in Germany and Austria illustrates, the changing emphasis of the European market – away from the south towards the centre – has already influenced the flow of investment in the advertising industry. However, it does not seem likely to affect the structure of ownership.

The continental European advertising industry developed so slowly until the mid-1980s that the established US and UK networks have been able to retain their dominant positions in nearly every market.

As soon as the advertising industries in Italy and Spain took off, the US and UK networks bought up the leading local agencies. There is now only one indigenous agency – the fiercely independent Gruppo Armando Testa – in the Italian top ten. There are none in the Spanish top ten.

The only exception to this is France, where the indigenous industry has been bolstered by sympathetic governments; the four largest agencies are all French.

In the late 1980s the big French agencies expanded internationally on the back of their buoyant local market. Publicis recently became the largest European network thanks to its liaison with Foote Cone & Belding of the US.

It remains to be seen whether the slowdown in the French advertising market will check the international ambitions of the Paris agencies. In the meantime the US and UK networks have little to fear from the sudden surge of advertising expenditure in Germany.

The profits from the most dynamic advertising market in Europe of the early 1990s – Germany – will go straight into the coffers of the international networks in New York and London.

Top Ten in Europe

Rank	Agency	1989 European gross income by equity $'000*	% change over 1988	1989 European gross income as % of worldwide
1	Publicis FCB	354,773	10.2	98.9
2	Young & Rubicam	337,494	20.6	39.0
3	Saatchi & Saatchi Advg	332,708	14.8	37.4
4	McCann-Erickson Worldwide	276,082	10.5	38.9
5	Backer Spielvogel Bates	264,626	3.9	34.8
6	Ogilvy & Mather Worldwide	260,999	12.6	37.3
7	Lintas Worldwide	226,518	7.3	38.2
8	HDM	222,618	15.0	60.5
9	J Walter Thompson Co	210,725	8.8	33.6
10	Grey Advertising	197,349	14.6	39.6

*Income of subsidiaries in proportion to parent company's stake Source: Advertising Age

European Advertising Market $bn – 1990

UK	12.7
Germany	10.6
France	7.9
Spain	6.7
Italy	5.8
Netherlands	2.0
Switzerland	2.0
Sweden	1.7
Finland	1.2
Belgium	1.1
Others	4.2
TOTAL	55.9

Source: Saatchi & Saatchi Advertising Worldwide

Irish presidential election

And here's to you ...

Kieran Cooke reports on Mrs Robinson's campaign

When Mary Robinson, the new president of the Republic of Ireland, started out on her election campaign last May she was laughed at by the political commentators.

The bookmakers made her a 100/1 outsider in the race for Ireland's highest office. But Mary Robinson defeated the odds and confounded the opposition. In so doing, she produced one of the biggest upsets in recent Irish political history.

These days European politics is full of American-style election techniques. The cynics would say that public relations has become more important than policy. Image makers mould politicians, selling them like so many packets of soap powder. Ireland is full of the paraphernalia of modern political marketing, from autocues, to "photo opportunities", to much hyped TV debates.

Perhaps the pendulum is swinging the other way; Robinson's election campaign was almost the antithesis of modern "image" politics. She was backed by Ireland's small Labour Party and even smaller Workers' Party. From the beginning there was a shortage of funds and staff.

Brenda O'Hanlon, Robinson's press and publicity manager, explains: "We spent about I£250,000 in total on the whole campaign. Fianna Fail [the main political party in Ireland] spent about I£2m."

The Robinson campaign could not afford to spend money on newspaper ads. TV commercials were produced at cut-price rates by friends. "Almost everything we had in the campaign office was borrowed," says O'Hanlon. "The campaign almost ground to a halt several times, with no money available. Then a little bit more would come in to cover that week's expenses."

Robinson, unlike the two other candidates in the presidential race, was not widely known among the Irish public. A respected barrister – particularly in regard to fighting for women's rights – Robinson had little political experience. To many she was a remote figure, terrifyingly intellectual, an inhabitant of the Dublin salon but not the rural pub.

But she proved that there is no substitute for old-fashioned campaigning. In her six month campaign (the other candidates were on the road for under two months), Robinson visited every city, town and village of any significance in Ireland up to three times. She went to almost every inhabited island. She waded into cattle markets and farmyards.

Local radio and local press, often ignored by Dublin's politicians, gave her crucial publicity. O'Hanlon admits that there was a little tinkering with Robinson's appearance. "We sent her to a hair-stylist and had some advice on her wardrobe. But her image was her own," says O'Hanlon.

Other candidates went for big gatherings. Robinson targeted small interest groups in each town and village, talking and persuading. For most of her campaign, she was on the road from 8am till after midnight. Soon the Robinson bus, with its "And here's to you Mrs Robinson.." jingle, became a well known sight on Ireland's highways and byways.

Significantly, TV seems to have played only a small role in the campaign. Robinson often seemed ill at ease on camera, while her opponents exuded relaxed charm. But it seemed that the Irish public was ready for her message; she stood in remote villages talking of divorce, of women's rights, of contraception.

The political sages of Dublin shook their heads. Ireland, especially rural Ireland, was a conservative place; it didn't want to hear about such things.

The sages were wrong. Without the big parties realising it, Ireland had changed.

Now Robinson, against all the odds, is ensconced in the presidential mansion, the old vice-regal residence in Phoenix Park, Dublin. It was a victory for traditional political campaigning, and most of all, a victory for Irish women.

A WOMAN'S PLACE IS IN THE PARK

If elected, I will be the first woman President.

If you vote for me, you'll do it because I am the right candidate for the job. Because the Presidency IS a job. It's not a reward, it's a challenge. It's not a fitting end to a career, it's the beginning of one.

Ireland today is a country whose time has come. There's a new energy – a new self-confidence. Our youth population is a valuable resource. We're making our mark internationally in industry, the Arts, Sport.

We need a President who can contribute to and be representative of this new Ireland. I believe I can be such a President.

And, in a country on the move, the weak and the vulnerable tend to be left behind – forgotten.

That's why we need a President who stands for justice for all. Who speaks out on behalf of those society would have us forget.

And that is something I have been doing all my working life. In the Courts, I have challenged inequality and discrimination. Injustice against women, married couples, separated couples. I've fought for the rights of the handicapped, the carers; for the poor, the unemployed. For children.

I want to be a President you can rely on as a friend and ally; a President you can have confidence in as your representative both at home and abroad. A President women can be proud to elect.

MARY ROBINSON

A President With A Purpose

To help please contact the Committee to Elect Mary Robinson
15 Merrion Square, Dublin 2.
Tel: 01-765352/765663/765664

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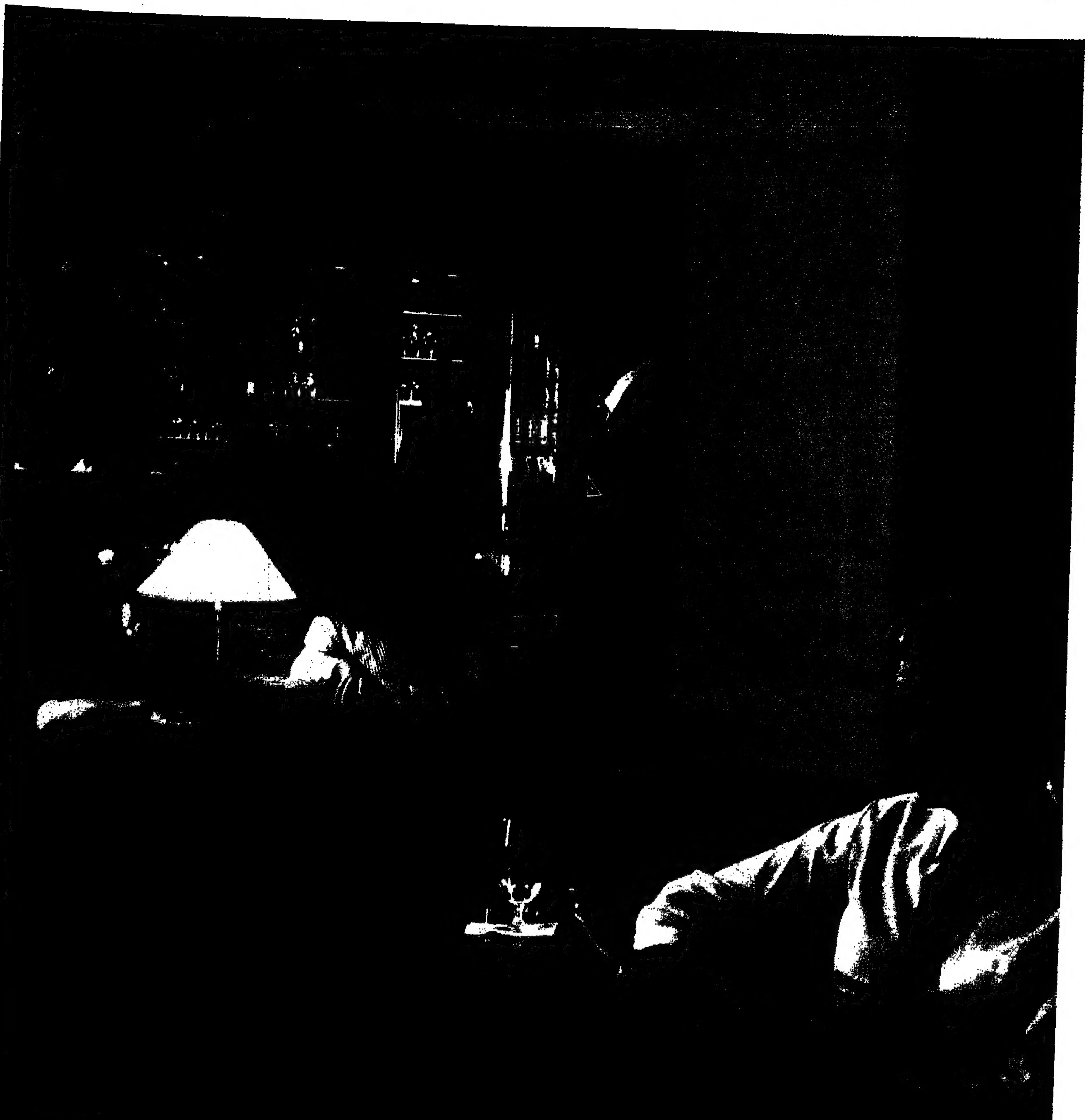


Before we start the engines, we start the service.

Qantas has been flying long distances far longer than any other airline. Which has given us 70 years to refine the service exceptional distances demand.

It starts before you even leave the ground in the quiet of the Captain's Club; an oasis of calm where First and Business Class passengers are free to unwind.

You can freshen up. Partake of complimentary drinks and hors d'oeuvres. Or simply take advantage of the vast array of business services and equipment.

Special boarding calls allow you to relax up to the final minutes before departure.

So, when you next travel, choose the airline that takes service a little further. You'll find the flight seems comfortably shorter.

QANTAS The Spirit of Australia.

TECHNOLOGY

Lessons in heat exchange

THE HUMAN body is well recognised as a source of heat, but now the University of East Anglia is planning to exploit the body heat of students to warm up their term-time accommodation.

The university has applied for planning permission to build energy-efficient accommodation for 800 students. Half the heat will come from the students and the rest will be recycled from the kitchen and shower rooms together with incidental heat from light bulbs and other equipment.

The series of terrace houses will look similar from the outside to ordinary accommodation, says Rick Mather, the architect for the scheme. He says it is "just common sense" to build houses in this way, and points to Scandinavia and North America where such energy-efficient buildings have been popular for years.

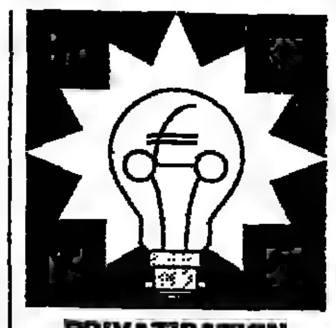
To ensure a supply of fresh air, while maintaining a steady temperature in the buildings, the air from the kitchen and shower rooms is extracted and passed through an aluminium heat exchanger, where the heat is transferred from the outgoing air to the fresh incoming stream.

To keep the heat inside, the external walls and the roof will be insulated with eight inches of fibreglass insulation, or the equivalent. Windows will be double glazed.

As a result, the students need only small electric heaters in the bedrooms, rather than conventional central heating to top up the temperature. This brings the anticipated cost for maintaining a comfortably warm 10-person house down to just £15 a year, says Andrew Ford, of Fulcrum Engineering, the engineering consultants on the scheme.

For the university, the scheme provides an energy-efficient building for the same cost as a conventional one. "When you begin thinking about this sort of scheme you expect to pay more in capital costs to achieve lower running costs," say Peter Yorke, of the University of East Anglia. "We found that this scheme didn't cost more, so in the long run it worked out much cheaper."

Della Bradshaw



PRIVATISATION

Free from the national grid, the City of London can produce its own energy, says **Lynton McLain**

A new generation of power station

With the imminent privatisation of the UK electricity industry, companies are moving swiftly to exploit the new freedom to generate their own power and escape the costs of connection to the national electricity grid.

Leading the field of small-scale solutions in the new world of "autogeneration" – generating your own power – is the miniature power station to be built inside a building listed for its architectural merit in the City of London.

The £25m, 30MW power station "will produce cheaper heating and lower electricity bills than any demonstrable lower-cost alternative," according to the City of London Corporation. Heat for offices, the Guildhall, the Barbican Centre and the Museum of London will arrive by a common pipeline. So will chilled water for cooling computer systems.

The City scheme will cut the electricity and heating bills for the 12 properties on the pipeline circuit by a total of £300,000 a year, 7.4 per cent of current bills. Individual electricity bills are expected to be up to 5 per cent cheaper and heating and cooling services up to 15 per cent cheaper than current supplies.

The City proposal is for a combined heat and power (CHP) station, the first to be built in a city centre in the UK, although plants have been built elsewhere in Europe for many years.

CHP stations generate electricity and produce heat as a by-product, but instead of being wasted as in conventional power stations the heat is used to make hot water to warm buildings.

According to the Coal, Corn and Rates Finance Committee of the City of London, which launched the plan: "A CHP scheme can produce savings through its more efficient production of energy and make a contribution to the environment by wasting far less of the fuel source whilst reducing the emission of unused heat and gases into the atmosphere."

The savings with CHP designs come from the high efficiency in converting natural gas or oil into electricity and heat. The City station will use 85 per cent of the energy input to generate electricity and heat, with a loss of 15 per cent. This compares with a 65 per cent loss in large conventional power stations.

Higher efficiencies have been obtained in the Netherlands using gas turbine CHP stations. Rolls-Royce supplied gas turbines for a city centre heating scheme in The Hague, which has been operating at 86 per cent efficiency since 1982.

In Utrecht, ABB Power Plants, part of the Asea Brown Boveri group, says its 225MW mark 12 gas turbine unit at the Merwedekanaal CHP station holds the world record for efficiency for a thermal power plant, converting 52 per cent of the energy of natural gas into electrical energy. The efficiency rises to 87 per cent when combined cycle district heating is included.

In making a case for CHP, the Coal, Corn and Rates Committee cited several financial benefits, including:

- Revenue savings, through a reduction in fuel, manpower and maintenance costs;
- A reduction in capital expenditure through not having to replace plant;
- A share in the profit of the CHP company.

Companies on the pipeline circuit will also save by throwing away their old boilers, releasing boiler room space for more productive use and plugging into the most efficient way of generating heat and electricity available, says Bob Brown. He is co-chairman of Citigen, the joint venture between British Gas and Utilicom Holdings, a subsidiary of the French Idex and Strec companies, which is planning the scheme, and head of UK power generation for British Gas.

Brown says that "the ring main for hot and chilled water and electricity will go past many offices en route to the first 12 buildings. We will invite these companies to rip out their own, inefficient heating and cooling systems, and tap into the savings we can offer". The scheme will eventually be expanded to 80MW, he says, to serve an area beyond the "few hundred metres radius of the first stage".

CHP has other advantages. Companies that are self-sufficient in electricity and do not sell any surplus power would avoid all charges imposed by the National Grid and the regional electricity distribution companies for use of their networks, the department of energy says. These charges include the levy on fossil fuel electricity, the misnamed "nuclear levy", which will add 10.6 per cent to the cost of final electricity sales.

CHP does, however, have drawbacks. "Not everywhere is going to be instantly suitable for city centre CHP schemes," Brown says. "Underground pipelines have to be laid and that can be very expensive," he says. "The advantage of the City of London is that it has a very high concentration of large buildings. This reduces the length of pipe needed. Also, the City has lots of ducts and tunnels, so the conditions are already in place."

While groups of neighbouring companies could benefit from CHP, they may be unable to do so because of infrastructure and plant costs. Citigen is considering encouraging companies to form associations or joint ventures to share the costs and benefits.

Before liberalisation of the electricity industry, this type of station could not be built to sell surplus power. Users had two choices. They bought electricity from local boards or they had a generator for their own use, leaving no surplus for sale – this was illegal until the Electricity Act 1989.

Another change crucial to the development of larger-scale CHP schemes is the liberalisation in the supply of natural gas, formerly a monopoly of British Gas and not available for generating electricity.

This has come about with the discovery of more gas and the proposed repeal of a 1975 European Commission directive that prevented generators from burning natural gas.

At the top of the scale is the £595m plan from Enron Power (UK), part of a leading US natural gas company, for one of the world's largest gas-fired CHP stations. This 1,725MW plant is to be built at ICI's Wilton site on Teesside and will add 3 per cent to generating capacity in England and Wales.

The Enron scheme requires enormous energies. Mike Gibbons, the ICI manager for energy policy and purchasing, says: "The go-ahead for the scheme depended on securing a long-term contract for gas, at an attractive price, with minimal transport charges."

The best way of achieving this was "to buy the gas straight from a North Sea field, so we could get raw gas in the state we wanted". Two new fields are being developed by an Amoco/Gas Council group to power the Enron CHP station which is a combined cycle gas turbine plant (CCGT).

Whereas a conventional CHP station makes direct use of the heat produced as a by-product of electricity generation, a CCGT uses the spare heat to raise steam. This steam drives a steam turbine which in turn drives a second electricity generator – so producing more electricity.

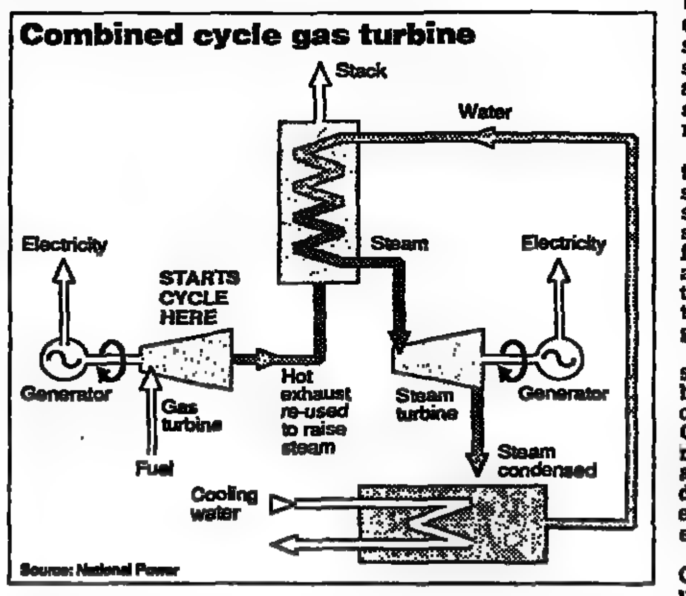
An additional benefit of CCGT to Enron is that it can use the steam to generate more electricity, or it can sell it on to ICI for use in its chemical works. Spare electricity will be sold to ICI and to four privatised regional electricity companies, Midlands Electricity, Northern Electric, South Wales Electricity and South Western Electricity, which are expected to take a 50 per cent stake in the CHP joint venture.

Gibbons is worried that some of the advantages from the project could be lost by uncertainty over charges for the new station being connected to the national grid.

Enron will be charged "even if we retain all the electricity from the CHP plant on site". He warns that this could inhibit future large-scale CHP schemes.

Even the Soviet Union is considering CHP schemes. Oleg Favorsky, chairman of the Soviet Union Academy of Science's Commission for Gas Turbines, says the country needs 100,000MW of gas turbine capacity by 2005. Half of these installations are expected to be powered by military aircraft engines converted to civil use, he says.

Combined cycle gas turbine



Source: National Power

Light at the end of the electricity tunnel

By Juliet Sychrava

Market forces, the government believes, are the best way to encourage the efficient use of electricity. After privatisation, competition will force both generators and suppliers of electricity to provide a cheaper and more efficient service.

It sounds sensible, but Friends of the Earth, the environmental pressure group, insists that the new system will encourage more profligate use of electricity.

Simon Roberts, the group's energy spokesman, believes that because the profitability of the 12 regional electricity companies depends primarily on increasing sales of electricity, they are locked into a "sell more or die routine".

While acknowledging that competition among generators will mean that power can be more efficiently produced, Roberts believes the government should have linked the regional electricity companies profits to energy efficiency.

Andrew Warren of the Association for the Conservation of Energy, a lobbying group sponsored by the energy conservation industry, agrees. Many US utilities, he points out, have a regulatory structure whereby they can legitimately raise their prices to cover the cost of investing in energy efficiency, for instance by helping customers save energy.

As it stands, the Electricity Act of 1989 requires the Director General of Electricity Supply, or regulator, Stephen Littlechild, "to promote efficiency and economy on the part of persons authorised by licences to supply or transmit electricity and the efficient use of electricity supplied to consumers".

The regional companies, therefore, must provide customers with guidance on the efficient use of energy. The government argues that the Act leaves the regional companies free to choose whether to buy more power from the generators, or to sell energy efficiency services to their customers.

How exactly Littlechild will ensure that the obligation to promote energy efficiency is fulfilled is not yet clear: the regional companies are still putting together their own codes of practice which he will then assess.

Defining "efficiency" is critical. It is not, the industry argues, the same as conservation – or using fewer units of electricity. Selling more units, the regional companies agree, is what their business is all about. "Growth in sales volume is absolutely fundamental to the business, and has been worked into the regulatory system," says one marketing director.

Efficiency, the industry argues, is about economy, or getting more value from each unit. But that in itself is hard to assess. "It's difficult to tie down efficiency," says one regional company's marketing director. "A 100 watt lamp in a highly insulated room is helping to heat the home. A half-full refrigerator uses more energy than a full one. If it's next to a heated surface it will use more energy."

Even if comprehensive energy labelling were introduced, customers are more likely to choose a well-designed fridge than an efficient one.

Industrial load management – or using electricity when it is most economical to do so – is another area where the industry already has a track record, although there will be more pressure on the privatised companies to satisfy customer needs.

"Our marketing platform for a long time has been the efficient use of electricity in industry," another marketing director comments. "If I can offer an industrialist a process that reduces, rejects, increases production and cuts his resource requirement, then he'll buy that."

"Volumes are pure profit for us," says another marketing director, "so part of my job is to maximise volume. But there is no conflict between that and energy efficiency, either in the licence or anywhere else." Electricity is, he adds, a manufactured product, not a commodity, and has to compete on efficiency.

That is not Warren's view. "They are still dealing in a commodity. If true least cost planning [where energy efficiency savings can be offset against the final price of electricity] had been incorporated into the regulatory structure, the industry would have every incentive to help people save."

BUSINESS LAW

The proper law of contracts

By A H Hermann

THE incorporation of the Rome Convention on Law Applicable to Contracts is one of the most radical changes ever made in English commercial law. It was effected by the Contracts (Applicable Law) Act on July 26 1990 and is likely to come into force in March 1991.

The change will bring some benefits but is also potentially dangerous to those who do not know about it. They may continue to conclude contracts without an explicit choice of law clause, and be surprised to learn that these are governed by laws they do no know or do not want.

This danger will be particularly acute in the case of traders outside Europe who may have never heard of the Rome Convention.

The Convention will replace the English rules on what is the "proper law of contract". Though sponsored by the European Commission and subject to authoritative interpretation by the European Court in Luxembourg, its impact will be universal: it will affect both domestic contracts and international contracts worldwide.

UK courts will have to observe it when deciding conflicts between the laws of foreign countries, whether Community members or not, and between UK laws and foreign laws – and even between those of England and Scotland.

Is it good for international trade? Opinions are divided. Some think that this EC exercise pre-empted efforts for a worldwide unification of private international law. Others say that it will stimulate and facilitate such efforts. It will certainly bring the UK's conflicts of law rules closer to those of the other EC countries and take them further away from those of Canada and Australia.

The convention may reduce the volume of business of the London Commercial Court, where most disputes are now between foreign parties. An Austrian importer who buys coffee in Hamburg using a London contract can now bring his dispute to London, and have it decided under English law, merely on the strength of the London arbitration clause.

As soon as the convention comes into force, however, the Commercial Court will have to apply German law to new contracts of this type. According to the convention, if there is no choice of law made by the parties, the applicable law is that of the country of the party making the "characteristic performance", namely the seller's country.

For this reason it will be necessary to revise some standard commodity contracts which at present contain only a "London arbitration" clause, on the assumption that English courts will treat it as a choice of English law. Traders whose disputes may come before courts of the convention countries will have to draft their contracts more carefully, including a choice of law clause as well as a choice of court or arbitration clause.

Will the convention enhance legal certainty, as intended by its drafters? Not always. For example, article 4/2 of the convention provides that if a contract, in which no choice of law is made by the parties, is to be performed by a branch office, the applicable law will be that of the country where the branch office is situated.

This can lead to considerable uncertainty, particularly when dealing with multinational companies and using contracts which leave it open to the multinational to use any of its branch offices or subsidiaries for the performance of the contract.

Although the policy underlying the convention is to give the parties freedom to choose the applicable law, either when concluding the contract or by a later agreement, it prevents them from using this to escape the impact of "mandatory rules" (such as cannot be derogated from by contract) of the country with which "all the other elements relevant to the situation at the time of the choice (of law) are connected".

Thus, an agreement made by a US manufacturer for distribution in an EC member state will be subject to the EC competition rules, even if the parties have agreed that it should be governed by the law of a country which is not a member of the Community.

Similarly, European parties agreeing a merger or sale of their US subsidiaries will not be able to escape the US anti-trust or securities laws by choosing English law, for example.

Moreover, article 7/2 safeguards application of mandatory rules of the country where the court is situated, irrespective of the law applicable to the contract.

The overriding force of "public interest" legislation in respect of contracts performed within its domestic territory is nothing new. A more dangerous provision is that of Article 7/1, and, although this has been excluded from the enactment of the convention in the UK, traders should beware that it may be law in other convention countries.

It provides that the mandatory rules of another country "with which the situation has a close connection" will prevail over the law governing the contract if the law of the other country so requires. The long-arm laws of the US concerning anti-trust embargoes, freezing of assets, and restrictions of resale to certain countries, immediately spring to mind.

This dangerous provision of the convention should be somewhat softened as "regard shall be had to nature and purpose (of such mandatory rules), and to the consequences of their application or non-application". But this is likely to be a rich source of disputes and uncertainty.

The convention also provides in Article 16 that a rule of the law of any country otherwise applicable may be refused by the court if it is manifestly incompatible with the court's public policy.

The public policy of courts within the EC also includes, of course, the competition rules of the EC Treaty and the principle of free movement of goods, freedom of services and freedom of establishment. Agreements contrary to such Community public policy would not be enforceable by the courts of the member States.

This still leaves a certain difference between the treatment of foreign public policy in civil law courts and in common law courts: both would refuse the application of penal and revenue laws of foreign countries, but treat differently foreign exchange control regulations not covered by an international convention such as the agreement reached at Bretton Woods.

In common law countries such foreign exchange control regulations, as well as foreign trade restrictions and price regulations, have been considered in situations where a court within a civil law system would refuse to do so.

Whatever law is applicable by choice of the parties or otherwise, the consumers will remain protected by the mandatory rules of their country of residence in respect of purchases which were made at home from a foreign supplier's agent or on the strength of his local advertisement or direct offer, and even in respect of purchases made abroad if their shopping visit to another country was arranged by the seller.

The convention does not apply to all types of contract. In the commercial field, it excludes obligations which arise from the negotiable character of negotiable instruments, such as bills of exchange, cheques, promissory notes and bills of lading; arbitration agreements and agreements on the choice of court; and questions governed by company law.

It applies to reinsurance contracts but not to insurance contracts where risks are situated within the Community. There are special rules for contracts of carriage of goods, including single voyage charter-parties.

The provisions concerning rules of evidence and procedure (articles 1/2/h and 14) seem inconsistent and are certainly difficult to read, which is unfortunate in view of the different approaches likely to be taken by national courts.

At a seminar chaired by Lord Justice Bingham and convened by the Centre for Commercial Law Studies at Queen Mary and Westfield College in London, the assembled experts felt unable to resolve all the uncertainties created by a convention designed to put an end to uncertainty in this field of law.

The original idea of the European Commission was to create a uniform commercial code for the Community. When this failed, the UN convention on contracts for international sales was hailed as the second best.

The British government still ponders its ratification, and the Rome Convention, striving to regulate at least conflicts of laws when their unification could not be achieved, may well be the third best.

The author is D J Freemann & Co senior research fellow in international trade law, Queen Mary and Westfield College, University of London.

PUBLIC WORKS LOAN BOARD RATES

Effective December 5

Years	Quota loans repaid: by EPT†	Quota loans repaid: AT††	Quota loans repaid: at maturity§	Non-quota loans A* repaid: by EPT†	Non-quota loans A* repaid: AT††	Non-quota loans A* repaid: at maturity§
1			12			12¾
Over 1 up to 2	11⅞	11⅞	11¾	12⅞	12⅞	12½
Over 2 up to 3	11¾	11¾	11⅝	12¾	12¾	12⅝
Over 3 up to 4	11⅝	11⅝	11½	12⅝	12⅝	12¼
Over 4 up to 5	11⅝	11⅝	11½	12⅝	12⅝	12¼
Over 5 up to 6	11½	11½	11⅝	12	12	12⅛
Over 6 up to 7	11½	11½	11⅝	12	12	12⅛
Over 7 up to 8	11½	11½	11¾	12	12	12¼
Over 8 up to 9	11½	11⅝	11⅞	12	12⅛	12⅜
Over 9 up to 10	11⅝	11⅝	11⅞	12⅛	12⅛	12⅜
Over 10 up to 15	11¾	11⅞	11¾	12¼	12⅜	12¼
Over 15 up to 25	11⅞	11⅞	11½	12⅜	12⅛	12
Over 25	11⅝	11½	11½	12⅛	12	12

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

CINEMA

The crunchy charm of the kiss of life

VAMPIRE'S KISS
Robert Bierson

THE HOT SPOT
Dennis Hopper

HOME ALONE
Chris Columbus

TIME OF THE GYPSIES
Emir Kusturica

A WORLD WITHOUT PITY
Renoir

MR FROST
Cannons West End

Cinema, like the late Rasputin, can give an wondrous impression of indestructibility. However many bullets you fire into it, however many poisoned chocolates you feed it, however often you tell it it is dead and should lie down, it lumbers imperviously on. It came back from the dead in the mid-1980s, when attendances in Britain and America hit a postwar low. And latest box-office figures from both countries suggest that, unlike Rasputin, it actually *is* on course for a miracle recovery.

In America, cinema's gift of eternal resilience spreads even to individual movie styles. *Vampire's Kiss* kisses fresh life into that genre many of us thought terminally fatigued, the spoof horror film. *The Hot Spot* restores warmth to that semi-cadaverous trend, Film Noir Revivalism. And *Home Alone* is yet another film, but a perky one, about a youngster left in charge of his home when his parents scoot off elsewhere. (See Risky *Business* and its ilk.)

Each of these films has a strange and crunchy charm. Take *Vampire's Kiss*. A hyperactive yuppie (Nicholas Cage) is bitten in the neck by a beautiful one-night stand (Jennifer Beals) and turns, or thinks he is turning, into a vampire. Overacting fearlessly, Mr Cage staggers about between his flat and the streets, occasionally diverting to his office to stoke the film's subplot about a victimised, not to say vampirised, secretary (Maria Conchita Alonzo).

Story summary cannot evoke the film's strange blend of Kafka, Herman Melville and the Rocky Horror Show. Writer-director Robert Bierson has clearly drunk deep of Melville's story *Bartleby*, in which office life takes on a mad metaphysics. He plants a framed photo of Kafka on Cage's office window-sill, as a votive tribute to Holy Church of 20th Century Paranoia. And he extorts from his star an uproariously inventive performance: ranging from the early, guppy-like facial twitches to the barking madness with which he stalks the final reel, complete with false plastic incisors and a wooden stake for climactic self-immolation.

Events are scarcely less weird in *The Hot Spot*, directed by Dennis Hopper from Charles Williams's script based on his own novel. We are in deepest Texas, where funny things are happening to the actors' vowel sounds. "Aah always get what aah want, Harry," breathes small-town siren Virginia Madsen to handsome Don Johnson. Mr J has floated into town, planning a bank robbery while masquerding as a used car salesman.

Before you can say James M. Cain, the two are rutting in the back seat of every available Chevvy. Madsen's husband gets suspicious, Johnson's virginal girlfriend gets angry and somebody gets murdered. This glorious tripe rambles atmospherically on, directed by Mr Hopper as if he has developed a sense of humour since that New Testament of the hippy generation *Easy Rider*. We particularly admire his ease at summoning thunderstorms at dramatic moments, and the way a specially-invited wind blows Ms Madsen's hair whenever she opens her front door.

In *Vampire's Kiss* and *The Hot Spot* art has reached that gamey, parodic stage when the feathers fall off easily and you had better start eating before everything else falls off too; including the last vestige of dramatic conviction. *Home Alone* boasts no such self-satirising sophistication. How could it? It is about and largely for children. An 8-year-old moppet (Macaulay Culkin), accidentally left at home when his many-childrened parents fly off to Paris for Christmas, has a happy time keeping house, roaming the streets and beating off burglars Daniel Stern and Joe Pesci.

This last plot plays like *Straw Dogs* revised and rearranged by *Blue Peter*. For Peckinpah's shotguns and animal-traps, read treacle on the stairs, steam irons in the face, broken glass on the floor – well, perhaps the spirit of Peckinpah is not so far off after all. Written by John Hughes, scriptmaster of such caustic romps as *Uncle Buck* and Planes, *Trains And Automobiles*, the film is directed with infectious glee and modest malice by Chris "Gremlins" Columbus.

Jennifer Beals in 'Vampire's Kiss;' and Don Johnson and Virginia Madsen in 'The Hot Spot'

★

Nothing modest about *Time Of The Gypsies* by Yugoslavian director Emir Kusturica. He won the Cannes Golden Palm back in 1985 for Father Is Away *On Business* and his new film is a joy. Its winged first half-hour scoops us up and takes us to celluloid heaven. Magical realism has never been more magical than in this gypsy village. Pet turkeys flutter through rooms like wrathful household gods; a bride in white flies through the midnight air in a girls' waking dream; a vengeful son lifts his parents' entire home into the air, on a stormy night, with tractor and towing cable. The miraculous is unconfined. Chagall meets Marquez on the dark side of the Danube.

The movie comes down to earth in its middle hour, steering us through the tale of a young village boy who stumbles into a life of crime and wanderlust with a gypsy Fagin. But back on course for its finale, it revisits the village and frames the tale in a gilded delirium of make-believe.

Kusturica shows us what cinema is capable of when visited by a little madness. (*Vampire's Kiss*, more modestly, does the same). Shaking off dull plausibility, the movie flies free of narrative syntax and enters the associative stratosphere of poetry. In this dimension, it no longer matters what is real and what is fantastical. As in *Alice In Wonderland* or One *Hundred Years Of Solitude*, the artist drafts his own constitution of the possible, his own alphabet of meaning and image.

In an ideal world, a film like Time Of The Gypsies would have scooped all the European Film Awards. However, that would have deprived us of last week's glimpse of Kenneth Branagh, clutching his Felixes to his chest as if he had been pleasurably impaled at Agincourt. Congratulations to him and his fellow winners.

However, not all is roses in the world of European cinema. Within a week of the Glasgow-set awards, and of a no less historic Euro-UK linkage under the sea, we critics have experienced two films horribly ominous of the shape of coming Euro-things.

Eric Rochant's World Without Pity is a piece of last-gasp flotsam from France about a footloose youth (Hippolyte Girardot) and his love problems. "The great European market?" scoffs our hero: "Pshal (or the French equivalent). We've got nothing in our lives but falling in love. And that's worse than nothing." And so on.

Powered by yesterday's cafe cynicism, the movie pounds on through girlfriends carelessly sloughed or seduced, and through yards of sophomoric nihilism in the dialogue and desaturated inertia in the colour images. The film suggests that post-unification French cinema will merely stagger on along the path of its present decline, or else will be ripe for takeover by a burgeoning co-production industry.

Which brings us to Mister Frost, directed and co-written by one Philip Setbon. The title character (Jeff Goldblum) is a mass-murderer detained in a mental home. Question is: is he the Devil himself? Second question is: can American doctor Kathy Baker and British detective Alan Bates, helped by the odd French cop, find out? Third question is: where the hell are we?

"Somewhere in Europe" is all that the film vouchsafes in a shy caption. And occasionally names like France, Switzerland and Britain are tossed about in the dialogue as if individual filmgoers could catch and adopt which ever one they preferred. The setting is of course none of these. It is Euro-movie-land: that stateless zone where supporting actors speak in Dalek-like dubbed voices; where the credits are a Babel battleground of nationalities; and where even a trouper like Alan Bates, fresh from Euro-land's even *worse* Dr M, seems to be suffering from advanced culture shock. How else explain the snow-white beard that goes with his jet-dark hair?

Nigel Andrews

The Vanishing Bridegroom

COVENT GARDEN

It was good to have Judith Weir's opera, a wise commission by the Glasgow District Council for their Culture Year, performed now in London, though not so good to have it performed only once – the eager audience for the Scottish Opera show on Tuesday might surely have been doubled. *The Vanishing Bridegroom* is technically her "second" opera, after the triumph of *A Night at the Chinese Opera*, but most of her music for years now could be called "operatic" without stretching the term too hard: obviously her ten-minute solo epic *King Harald's Saga* and (for television) the *Missa del Cid*, but also her instrumental pieces, which generally dramatise some historical and/or literary point. For Miss Weir, there is no sharp boundary between stageable stories and "pure" concert-enactments.

The constant factor is pawky irony. In one way or another, the music at main junctures doesn't tell the *whole* story, but implies another wryly distanced viewpoint (or several). In Miss Weir's concert pieces the clue is given by the text, or by some musical idiom knowingly placed between inverted commas. When the thing is to be made visual, in whatever way, she has a faultless knack for keeping the music mum and mock-innocent about what the visible story reveals – the stage isn't to provide otiose illustration, but to offer an essential counterpoint of its own. (She has a sophisticated interest in narrative, or indeed Narrative, but also in rigorous economy.) That was the joy of *Chinese Opera*: while her text gave precise cues for the comic devices of Richard Jones's production, the music went its own serene, pointfully distinct way.

After the Scottish première of *The Vanishing Bridegroom* in October, Max Loppert gave it a justly appreciative welcome on this page. Now I want to put the boot in: Ian Spink's production – at least as recreated in the larger space of the Royal Opera – is an amateurishly inadequate complement to the score. We haven't really *seen* this opera yet. What Miss Weir aims at above all is *neatness* (one would say "high definition", if that didn't sound too flashy), exact registering of points whether aural or visual. For the three successively linked folk-tales of this opera (and a fourth tale-within-a-tale), Spink has contrived little more than a limp, literal walk-through.

Though he is primarily a choreographer, the Second Stride company's Artistic Director, he let his cast drift about incessantly and indeterminately. Too much movement to too little purpose: hardly any dramatic point was properly etched. There is no "psychology" here – Weir's characters are simply their role-types, and their crises ought to be plainly signalled. The music for each of the three acts ends with clean abruptness, but on stage there were slow fades, and then bumpy scene-shifts before the next curtain-up. Spink's tripping Scottish "fairies" in the second-act tale, who (as the composer's programme-note remarked) should belong less to *Peter Pan* than to *Invasion of the Bodysnatchers*, actually recalled *La Sylphide*.

For all I know, Miss Weir may have thought Jones's *Chinese Opera* production *too* jokey, but it presented everything in high relief and thereby set off the independent effects of the music superbly. Here, neither the mock-Mahler of the initial deathbed-scene, nor the sour inflections of the folk-bits nor the long, unhurried *melismata* over glowing static chords, were exploited to much theatrical effect. The singers were creditable, though we missed too many words, and the orchestra (conductor Justin Brown) sounded sympathetic but erratically focussed. Somebody must re-stage *The Vanishing Bridegroom* from scratch and get it right, and then we may hear what the opera really amounts to: something richer, more pungently ambiguous and more uncomfortable, I suspect, than this first attempt ever imagined.

David Murray

John Michie and Carla Mendonça

Alastair Muir

The Real Don Juan

RIVERSIDE STUDIOS

The translator as star: that's Ranjit Bolt. His versions of Corneille's two great comedies, *The Liar* and *The Illusion*, which have both triumphed at the Old Vic in the last year, have already demonstrated this. The art of translationis at its most demanding when it involves both verse and live performance; but with Bolt it becomes a meeting of true minds. His talent is for intelligent period comedy and for urbane rhyming couplets.

Now, following the request of the Oxford Stage Company's director John Retallack, he has bought himself a Spanish dictionary – no kidding – and has given us the British première of José Zorrilla's 1844 play *Don Juan Tenorio*. The Oxford Stage Company has been touring this since September; this week in Hammersmith is a last chance to see it. It has lines that have passed straight into my home repertory, such as this exchange: Don Juan's "Let's step outside –/ The dining room's no place for homicide."

It is startling to see the local première of a play that – we are informed – is the most popular play in the Spanish-speaking world. Zorrilla's Don Juan is the fearless, shameless, heartless aristocratic seducer and killer we know from other versions, proud of his supreme record of men slain and women ravished: but in Dona Ines he finds a redeeming spirit, a Marguerite to his Faust. Her father the Commendador becomes the avenging statue that comes to dinner and claims him. Ines, however, inspires Juan to repentance on the last stroke. Taking filial disobedience to a newly celestial extreme, she banishes her father and leads her lover to paradise.

Surprisingly, this ending works. Why? Because, as early as the first scene, Zorrilla has introduced the notion of sin and repentance. Juan's sense of the magnitude of his own crimes starts out as pride but turns into contemplation. At the same time he turns from arrogant atheism into inquiring agnosticism. As the statue summons him to Hell, he muses "There *was* a world beyond, then, all along./ Of all life's questions, I get that one wrong!" And it is pride that almost stays him from ever asking God's mercy; he assumes his record is too long to wiped clean in the few instants that are left to him.

There are few things a modern audience is less susceptible to than Christian redemption, and Retallack's production doesn't push its luck very far in that direction. Whereas Zorrilla's play (Bolt's translation has been published by Absolute Classics) ends with flowers, cherubs, and the souls of Juan and Ines rising "in the form of dazzling flames," this staging suggests that Paradise will be pretty earthly. Juan reclines beside Ines and speaks the epilogue with the same dry assurance he has had throughout. What this production loves in Zorrilla's play is not transcendence but realism. This Don Juan is glorious because he brings off stunt upon stunt and of the calm keenness of his mind.

John Michie is the Don Juan who justifies this. Even in skirmish or in seduction, he is relaxed. More that that, he has inner stillness. Let everyone else get into a tizzy; he – unforced, suave, handsome, deadly – is master of the situation. He isn't quite ideal – there are moments when he is too quiet, and he's much too laid back in Juan's inquiries about sin, perdition and eternity – but his is a winning interpretation of one of the most elusive characters in world drama. Retallack's production is fast, light, economical and entertaining. It sets the play firmly, if not always persuasively, in Spain; and, don't ask me why, it mixes its centuries, employing both swordfighting and machine guns.

The other male performances are good, especially William Lawrance's playing the sculptor like Eric Morecambe. If only Denise Thomas's voice were as imposing as her looks, we'd have an Inez; and if only Carla Mendonça spoke, danced and sang – in several roles – with less archness and more *duende*, we'd have a real sense of Spanish womanhood. Nella Marin is fun – especially in the slow, amazed, exhausted, legs-wide-apart entrance with which she begins one scene: "What a night! What a Man! Christ! If I'd known/ What was in store, I'd've left well alone."

Alastair Macaulay

Jan Garbarek

TOWN & COUNTRY, KENTISH TOWN

The dance floor of the Town and Country Club is perhaps not the best place to experience the Nordic musings of saxophonist Jan Garbarek. The ring of cash tills and the smell of chips tends to interfere with the northern lights sort of ambience Garbarek usually aims to create. It is just as well that his repertoire on this visit has less of a chill factor than that which his ECM fans have become accustomed to.

But the curved soprano and tenor are still used primarily to create an atmosphere, recalling Lapp folk tunes and traditional jokes even, rather than for flamboyant mainstream soloing. The five pieces performed at this Ferguson Jazz concert – presumably from the new album, he didn't say – suspend the saxophone parts in a, well, a landscape of synth, electro-bass and percussion.

The quartet is a favourite one: Ebehard Weber on the custom bass with delay, Rainer Bruninghaus on keyboards and ace Brazilian percussionist Nana Vasconcelos on drums, conga and shakers. All are ECM stablemates and masters of that genre – ice jazz – and the effect created at this showing is of a welling melancholy sound. Always controlled by Garbarek, each musician is clearly heard throughout.

Weber's strongly melodic but sterile-sounding bass weaves a pattern with Bruninghaus's synth and Vasconcelos's shakers interject in just the right places. Brazilian Vasconcelos especially brings warmth to the predominantly north European ensemble with talking drum and berim-bau, a plucked longbow with a pot attached.

Garbarek, however, seemed more outgoing than usual and plays with a tougher voice. Though not yet ready to pioneer Norwegian funk, perhaps, his playing did cause discernible movement in the large audience assembled in London's northern reaches.

Turning it up for the last part of the show, Garbarek soloed to a tangoesque rhythm, the tenor wailing and full throated. A much-clamoured-for encore brought him back with a flute for a jig which was in turn swept away with soprano.

Garry Booth

ARTS GUIDE

November 30-December 6

EXHIBITIONS

London

Royal Academy of Arts. Monet in the 90s: The Series Paintings. Ends 9 Dec. Burlington House, Piccadilly (287 9579).

Paris

Grand Palais. Simon Vouet (1590-1649). The exhibition brings together paintings, drawings and tapestries by the Paris-born artist whose vast compositions decorated palaces and churches at the time of Louis XIII and Richelieu. Closed Tue. Wed late closing night.

Bibliotheque nationale. Memoires d'Egypte. The exhibition payshomage to Champollion for elucidating themystery of hieroglyphs crucial to egyptology. 58, rue Richelieu.

Louvre. Recent acquisitions of the Department of Objets d'Art. 136 exhibits of medieval ivories and goldsmiths' work, of renaissance bronzes, enamels and majolicas and of 18th century furniture, tapestries and porcelain – many of which are royal gifts or royal possessions. Hall Napoleon, closed Tues.

Galerie Daniel Malingue. Maitres impressionistes et modernes. From a Pissarro gouache to a pleasing Berthe Morisot portrait of young girls framed in an open window Daniel Malingue has assembled works of rare quality to represent his favourite period. 26, ave Matignon (42666033). Open all days except Sun, Mon mornings and lunchtimes. Ends December 22.

Musée Marmottan. Goya. Monet's museum plays host to four cycles of 218 engravings by Goya on loan from the Fundacion Juan Marcha. 2, rue Louis Boilly. Closed Mon (42240702).

Musée des Arts Decoratifs. Panoramic wallpapers. If a wealthy French bourgeois of the 19th century felt the need for changein his comfortable but somewhat boring life, a panoramic decor covering the walls of his salon would instantly transport him to an exotic scene. 107, Rue de Rivoli (42663214), closed Mon, Tue. Ends January 21.

Louvre. Euphronios. Some 60 objects, craters, amphoras and bowls testify to the art of Euphronios, painter and potter in the 6th century BC in Athens, in mastering the technique of red figures on black background. Open all days from 12 am to 10 pm, except Tue. Ends December 31 (40205166).

Haboldt and Co. The newly opened gallery presents in its luxurious setting a selection of old masters including Ter Borch and Canaletto, Boucher and Tiepolo. 137, Fbg. St Honore (42895881).

Galerie du Carrousel. 19th century French masters. There are some remarkable small bronzes by Degas and Daumier, there are two or three oils, but the speciality of this small left-bank gallery remain drawings by the Ecole de Barbizon, precursors of the impressionists. 11, quai Voltaire (42611075). Closed Sun and Mon.

Grand Palais. Picasso. An exhibition of 47 paintings, two sculptures, 40 drawings, 24 sketchbooks, 19 ceramics and 247 engravings and lithographs which have come to enrich, in lieu of death duties, the French national collections. Closed Tue, late closing Wed.

Brussels

Musée d'Ixelles. L'Impressionisme et le Fauvisme en Belgique is a major exhibition of Belgian painting from the 1880s to the 1920s. The finest show seen in Brussels for some time. Closed Mon, ends December 16.

Galerie Isy Brachot. An exhibition to celebrate its 75th anniversary: contemporary paintings.

Palais des Beaux-Arts. 5 million years: The Human Adventure. Man's evolution seen through 200 Paleontological exhibits. Daily, ends December 30.

Musée d'Art Moderne. The Goldschmidt Collection of modern paintings recently left to the museum is on view in its entirety for the first time. Works by Braque, Chagall, Hockney, Klee, Miro and others. Place Royale. Closed Monday, ends December 16.

Musées Royaux d'Art et d'Histoire. Inca-Peru an exhibition that traces the evolution and decline of the Inca culture through 450 artefacts. Closed Monday, ends December 31.

Madrid

Centro de Arte Reina Sofia. After undergoing seven months of major reforms the centre reopens as Spain's "national" contemporary art museum. Memory of the Future: Italian art 1900-1964 is the most comprehensive show organised to date on 20th century art.

Museo Nacional Centro de Arte Reina Sofia. Giacometti, undoubtedly the most important retrospective organised to date of this Swiss artist's work.

Fundacion Joan March. Cars. Andy Warhol's unfinished series of car drawings and paintings, commissioned by Daimler-Benz are now on loan from Daimler-Benz in Stuttgart.

The Cambo Legacy. Francesc Cambo, Catalan financier and politician, was also the owner of a magnificent private collection of paintings, built up between 1927 and the Spanish civil war which includes works by Botticelli, Titian, Tintoretto, Verones, Sebastiano del Piombo, Perugino, Goya, el Greco, Zurbaran, Rubens. Museo del Prado. Ends December.

Barcelona

Museo de arte Moderno. Modernism. A comprehensive show of modernism as "total art". Organised by Olimpiada Cultural, the aim of the exhibition is to show off Barcelona's rich modernist inheritance in all its different aspects: including painting, posters, jewelry, furniture, stained glass, wrought iron and ceramics.

Museo Picasso. Homage to Jacqueline – an important retrospective of the last 30 years of Picasso's artistic life and a homage to his favourite model. Ends January.

Rome

American Academy: Giovanni Battista Piranesi: 135 engravings of Rome, made around 1770, the year of Piranesi's first visit to Rome, and the beginning of his long love-affair with the city. Ends December 16.

Milan

Castello Sforzesco. The People of the Sun and the Moon: treasures of ancient Peru. Ends December 9.

Venice

Palazzo Grassi. From Van Gogh to Picasso – from Kandinsky to Pollock. Opening with Picasso's 1931 *Woman with Yellow Hair* and closing with Fernand Leger's 1950 *Builders with Rope*, this exhibition provides a truly delightful canter through modern art from the late 1870s onwards. Ends December 9.

Berlin

Kronprinzenpalais, unter den Linden. The Kronprinzenpalais, reopens with an exhibition Poland, Time and Art. Eight Polish artists, born between 1945-1961, show 60 works, most of them covering the last three years. Ends Dec 14.

Frankfurt

Staedel Museum has opened its new extension: 1,300 square metres display of 20th century art ranging from Picasso to Max Beckmann and Amseln Kiefer. Among the other artists are the American sculptors Richard Serra, Amselm Kiefer as well as sculptures in the garden by Per Kirkeby. Staedel, Schaumainkai 63. Ends January.

Bremen

To commemorate the 100th anniversary of the constructivist painter Walter Drexel a retrospective is being held. He worked as painter, advertising manager and teacher. Ends January 13. Kunsthalle am Wall 207.

New York

Brooklyn Museum. From pastoral landscapes to moonstruck mature fantasies, this comprehensive exhibit makes the claim for Albert Pinkham Ryder as the first modern American painter.

Douglas Drake Gallery. David Hockney prints and photographs. 50 W. 57th St.

Museum of Modern Art. High and Low: Modern Art and Popular Culture may have too broad a theme in highlighting common objects, like newspaper fragments in Cubist works, in 20th-century art, but it brings together a wide range of works by Dubuffet, Duchamp, Picasso, Warhol, Lichtenstein, among others.

Washington

National Gallery. The 350th anniversary of the death of Anthony Van Dyck is the occasion of this major exhibit of 90 masterpieces borrowed from around the world and mixed with the gallery's own fine collection. Ends Feb 24.

Chicago

Art Institute. One of Chicago's most noted conteporary artists returns home when Ed Paschke's travelling exhibit, which first appeared at the Pompidou Centre last year, arrives with 47 of the painter's day-glo portraits and landscapes.

Terra Museum of American Art. Winslow Homer in the 1890s focuses on the artist's Maine landscapes done at Prout's Neck. 664 N. Michigan Av.

SALEROOM

Bunker Hunt's silver lining

Let us do Sotheby's and Christie's a favour and move on from the exceedingly poor Impressionist and Modern sales in London, which are currently puncturing their 1990-91 turnover and profit expectations, and concentrate on the auction of Nelson Bunker Hunt's collection of Greek and Roman coins which Sotheby's sold in New York on Tuesday night for $3.3m (£1.7m), with every one of the 117 lots selling.

Along with brother William, the Texan Hunts had a roller coaster career which included a near miss attempt to corner the world's silver market and the eventual bankruptcy of their oil empire. To pay off debts they are disposing of the collections they amassed rather accidentally during their rich years.

The top price, and way above forecast, was the $170,500 (£88,433) paid for a gold aureus of the Emperor Maxentius, minted in Ostia in 309. It is only the second recorded specimen to surface and carries a fine portrait of the Emperor. Among the Greek coins a tetradrachm struck around 460 BC at Naxos sold near the bottom of its estimate at $165,500 (£85,580).

On Tuesday night in London Sotheby's held a slimmed down sale of Impressionist and Modern pictures of just 39 lots. Estimates were modest, perhaps reflecting the fact that no great works of art were on offer. The main feature of the sale was that the auctioneer was Melanie Clore, taking her first major auction. She kept her nerve despite the failure of 23 of the lots to find new homes.

The top price was the £990,000 paid by a Japanese dealer for "Couple sur Fond Rouge" by Chagall, a late work of 1983. Another Chagall, "Le Coq Violet", was unsold at £1.5m, but a charcoal drawing and collage by Braque of 1912 sold at £880,000, noticeably below its estimate of £1m-£1.25m, reflecting Sotheby's success in persuading sellers to accept more modest prices. On Monday Christie's sale brought in £10.3m as against £76.5m for the corresponding auction of 1989. The Sotheby's total on Tuesday was £6.7m as against £66m a year ago. That is the extent of the decline in confidence.

Yesterday's sale of second division pictures at Sotheby's did better, totalling £4.4m and over 50 per cent sold. There were two remarkable prices – a record £506,000 paid for a Henri Martin landscape and the £170,500 (as against a £40,000 estimate) which secured a tiny Dufy still life of a violin.

Antony Thorncroft

هكذا من الاصل

Asprey

PRESENTS FROM DECEMBER 7TH TO 24TH

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Thursday December 6 1990

Heseltine's fresh start

TWO significant propositions were made by the new secretary of state for the environment, Mr Michael Heseltine, in the house of commons yesterday. The first, which is wholly to be welcomed, is that the government's review of the poll tax will start with a recognition that the finance of local government and its structure are two sides of the same coin. The heart of the matter, he said, is the future relationship between central and local government, and the relationship that locally elected bodies will have with their communities.

This is the first acknowledgement of the necessary basis for any successful local government reform that has been made by any British government since the war. On all previous occasions finance and structure have been discussed in separate reviews. The new formula, linking the two, might be improved by adding a reconsideration of local functions to the equation; perhaps that is implicit.

His second proposition is more murky. He offered the opposition an unspecified form of consultation as part of his review. His purpose, he said, was to establish a stable basis of law under which future local authorities could operate in the reasonable confidence that everything would not be torn up by the roots and changed every few years, as has been the postwar pattern. This is an elevated rationale, congenial to Liberal Democratic thinking, and accepted by most of the minor parties.

Labour's position

The Labour party's instant reaction was to jeer; its second thoughts, offered while Mr Heseltine was in mid-speech, were to the effect that the government is in a hole. Adopting Labour policy would be the best way out, so why not abolish the community charge and go back to the rates? Such is the stuff of politics, but the Labour party may come to regret that it has taken this simplistic adversarial position. Everyday common sense suggests that an all-party discussion would have a better chance of reaching a sensible conclusion than a purely departmental review; voters like common sense approaches to policy.

The proper criticism of the minister's offer is that it does not go nearly far enough. If other parties and local authorities may be consulted, better hold an open inquiry and take evidence in public. Royal commissions are long out of fashion, but if one was appointed today it would at least have the correct remit – thanks to the Heseltine formula of finance plus function.

Fatal flaw

It may be objected that such an inquiry would take time, but Mr Heseltine said yesterday that any long-term solution would take at least two years to devise, legislate for and implement. (He did, of course, leave room for a few short-term pre-electoral bribes, but that is wholly a matter for the Conservative party and its conscience.)

Welcome – and politically cunning – as the Heseltine statement may be, it did contain a potentially fatal flaw. The minister re-affirmed that in the end power lies with the house of commons. Unfortunately, he is right. But he went on to assert that central government must exercise its mandate: the treasury reigns in its sphere and the department of the environment elsewhere. This constant interventionism makes it impossible to maintain a stable system of local government, let alone a truly independent one.

The treasury's obsession with its perceived need to include local spending within the national accounting totals leads it to demand ultimate supervisory control over local budgets. That is why the argument that the poll tax is an instrument of local accountability is such a nonsense. For even if a given local community voted for a particular party knowing that it would impose a higher charge, it would be subject to capping.

An absolutely independent and accountable system of local government, financed as independently as regional disparities might allow, could only be created under a constitutional arrangement that prevented the central government from interfering in its affairs. But Mr Heseltine was in no position to offer that.

New power for pensioners

SOON ENOUGH the UK's pension fund surpluses are likely to fade away once again. The Barber judgment earlier this year in the European Court on equal treatment of the sexes, and other domestic legislation on improved protection of pensions against inflation, will increase costs, while the spectacular investment returns enjoyed in the 1980s seem unlikely to persist.

For the time being, however, surpluses continue to represent a possible source of friction between companies and scheme members, as the controversial case of the Imperial Tobacco Pension Fund has demonstrated.

On Monday, the Vice-Chancellor, Sir Nicolas Browne-Wilkinson, delivered his full judgment on the methods by which Hanson, now the parent company of Imperial Group, sought to persuade the tobacco scheme's members to transfer to another plan, the Imperial Retirement Benefit Scheme. He gave only a general judgment, because the precise details of Hanson's behaviour have not been clarified to the satisfaction of the court. But he made it clear that any attempt by a company to bully or mislead scheme members into accepting proposals which were not put forward in good faith would be illegal.

The case provides a precedent for pensioners to take companies to court whenever controversial changes are proposed. It will make companies still more concerned that the pension schemes which they have set up voluntarily as a way of improving the security of their employees are being taken more and more outside their control. Companies may become more inclined than before to adopt the less-demanding alternative of defined contribution (or money purchase) pension schemes, where surpluses cannot arise, rather than the defined benefit (or final salary-linked) arrangements in which companies, advised by actuaries, make guesses about how an investment fund may roll up over many years, and may get it wrong in either direction. A surplus, a company may think, has many claimants, but a deficit will have only one: the company itself.

Traditionally, companies have assumed that although a pension scheme was a separate legal entity they would still have effective control over it. The Imperial Tobacco case has now refined the law in this respect. As is generally the case with employment law, the company has a duty to act in good faith in its treatment of pension scheme members. Although it may have regard to its own financial interests, such as in the size of the contributions it may be called upon to make, it must not make arbitrary judgments, but must look at each decision in the light of the circumstances at the time. For instance, Sir Nicolas did not think very much of the suggested attitude of Hanson (albeit disputed in court) that it had told the pension fund's management committee that in no circumstances would it agree to pension increases beyond 5 per cent a year, regardless of the rate of inflation or of the financial resources available in the scheme.

In some respects the implications are going to seem tiresome. Potentially, pensioners and trade unions are given new bargaining weapons, backed by the threat of legal challenge. Companies making decisions about pension increases, scheme mergers or benefit restructuring will need to be sure they can prove they have come to reasonable conclusions after due consideration of all the circumstances. There may be a case for extending the scope for the Pensions Ombudsman (who will begin functioning next April) to investigate alleged cases of scheme maladministration.

But the extent of the power of companies over their legally quite distinct pension schemes has always left the potential for abuse. Protection for scheme members has been inadequate, as the government has from time to time recognised in legislation. The courts can now make a contribution towards ensuring that occupational pension schemes give fairer treatment.

German eco-politics will be tested in the 1990s, says **David Goodhart**

The green spirit lingers on

West German Greens were stunned as it became clear, last Sunday night, that they had failed to clear the 5 per cent hurdle into the all-German parliament.

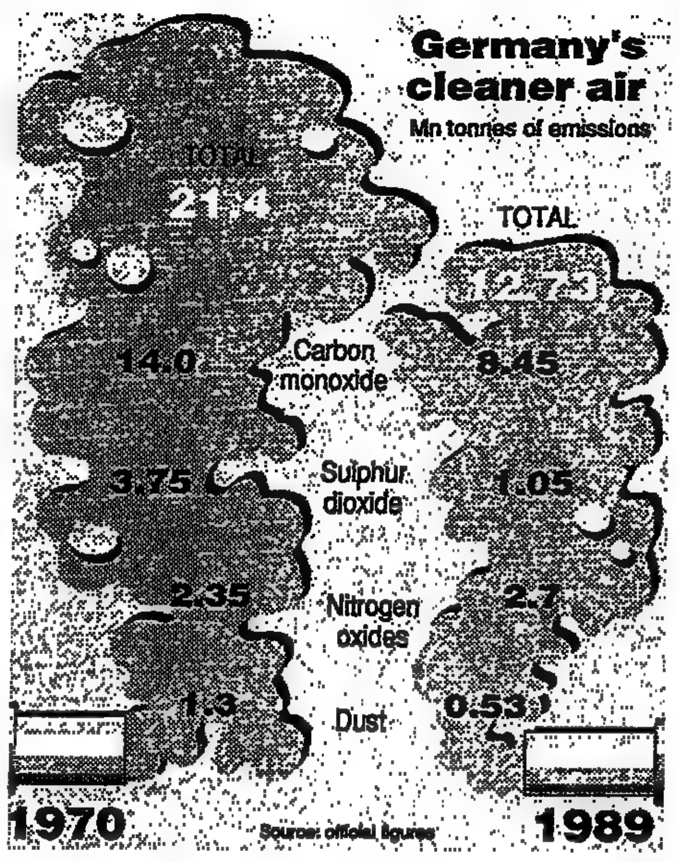
They first entered parliament in 1983 to add bohemian colour to Germany's monochrome politics and raise the eco-consciousness of the whole industrialised world. Now, just as that world is starting to take their arguments seriously, the German voters have withdrawn their most important platform. Some analysts immediately coupled the surprising failure of the Greens with the failure of several referendums on tightening environmental protection during the US mid-term elections last month. Could it be that the growing readiness of citizens to express concern about the environment is not matched by a corresponding willingness to do anything about it?

In Germany, at least, the willingness does seem to be there. The failure of the Greens has several causes – their opposition to German unity and difficult relationship with the east German Greens; their chaotic and faction-ridden organisation; the attractiveness of the Social Democrat Mr Oskar Lafontaine to some of their voters. Above all, they were victims of their own success.

Germany has been thoroughly "greened" during the 1980s, thanks, in part, to the Green party and the broader movement it only partially represented. The main political parties now vie with each other to offer the more radical eco-policies, and the environment ministry – established in 1986 – has acquired some real weight in Bonn.

The first international agreement signed by the newly united Germany in October was over the cleaning up of the poisoned Elbe river. One of the biggest arguments taking shaping over the new German constitution is not whether there should be an environment clause but how specific that clause should be.

And despite Germany's huge public deficit the Bonn finance ministry has just handed over DM2.5bn – the proceeds from the privatisation of the Salzgitter steel company – to establish a new Environment Institute in a country which seems to be overflowing with them.



Industry has abandoned its largely hostile attitude of the 1970s and decided to swim with the green tide. About 400,000 people are employed, directly and indirectly, in environmental protection. The environment technology sector has annual sales of about DM20bn and the largest worldwide share (29 per cent) of new patents.

"Industry now has an offensive rather than a defensive attitude," says Mr Heinrich Weiss, soon to take over as head of the German Industry Association (BDI), although that attitude has yet to be tested in recessionary times. Eco-marketing is everywhere and the "Blue Angel" stamp of environmental approval has been given to 3,200 products in 60 product groups.

Privately, industrialists complain about how emotional the environment debate has become and worry about the competitive disadvantage they suffer in relation to "dirtier" countries. Oil refining is said to have been driven out of Germany by environmental costs, and the BDI calculates that manufacturing industry alone spent DM172bn (DM65bn on investment and DM107bn on running costs) on environmental protection between 1971 and 1988.

But is Germany's environmental record quite as good at is appears?

While the state and industry between them spend about DM40bn a year on the environment that is less than 1 per cent of GNP and falling. This is partly because the main investments in emission control, in the power generation and chemical industries, took place in the early 1980s.

None the less, the complex tangle of laws and regulations covering emission control, water purity, rubbish disposal and energy saving, most of which have been markedly tightened during the 1980s, still leave generous holes for "legalised pollution".

Also, as Professor Ernst Ulrich von Weizsäcker, head of the Institute for European Environment Policy, points out, Germany has stricter environmental laws than many other countries because, thanks to its size, wealth and level of industrialisation, it produces more pollution than other countries.

Mr Ludwig Kramer, a senior official in the EC's environment department, says Germany presents "a mixed picture". Despite the cleaning up of the Rhine, the country's rivers are still among the most polluted in the world, and despite stricter emission controls more than 50 per cent of the country's forestry is said to be damaged. Cuts in sulphur dioxide emissions, in part responsible for acid rain, are one of the clear success stories following the introduction of tighter controls on power stations in 1983 and the rest of industry in 1986.

Industry has also cut its nitrogen oxide emissions but, because of the ever-growing number of cars on the road, nitrogen emissions continue to rise and are the largest per capita in Europe. It is not disputed that water quality as a whole has improved, although the EC is challenging Germany on the lack of information it provides, but the quality of the water table is a growing problem and German farmers use, per capita, more nitrates than their French counterparts. The chemical industry is a partial success story.

According to Professor Helmut Sihler, head of the German Chemical Industry Association, the industry produces 70 per cent less air pollution and 90 per cent less water pollution than 25 years ago. But Green critics complain that annual investment of DM1bn in environmental protection is feeble and say the industry has been obstructive over phasing out ozone-threatening chlorofluorocarbons (CFCs).

CFCs will be finally phased out in 1994 but that is nearly 15 years behind the US. The US was also much quicker to adopt the pollution reducing catalytic convertor. Almost all new cars bought in Germany are now fitted with the convertor and, after a long squabble in the EC, they will become compulsory from 1992. But currently only about 15 per cent of cars are fitted and Germans obstinately refuse to accept speed limits on motorways.

The main environmental theme for the 1990s will be raising standards in polluted east Germany. The task is technically simple enough, but it will take until the end of the century to complete. Meanwhile east Germany's horrifying pollution statistics will drag down the whole country in the international league tables.

Another theme which will dominate the decade is waste and recycling. The environment ministry forced Coca-Cola to make plastic bottles returnable and last week the cabinet in Bonn passed a ruling which will allow customers to leave packaging behind in shops, after 1992. About a third of the annual 32m tonnes of rubbish produced by west German households consists of packaging.

About 50 per cent of paper and glass is now re-cycled although there are large regional differences in how seriously re-cycling is taken. There are also plans to make car manufacturers dispose of the cars they have built once there useful life has ended. But Germany is not immune to the "Not In My Backyard" syndrome which has prevented the building of the dozens of toxic waste-burning centres that are needed.

In the EC, Germany is generally on the side of the environmental angels, although it is not as progressive as small countries such as Holland and Denmark. But some now believe with the Greens out of the way the pressure will slacken and opposition from industry will grow. One SPD environment expert said that she feared her own party would now give a lower priority to green issues.

Germany's exceptionally ambitious plans for reducing CO_2 emissions by at least 25 per cent by 2005 should, however, allay concerns over backsliding. Germany is so keen to see an EC-wide norm on stabilising CO_2 emissions that it is prepared to carry a much higher burden than most other countries.

There is some scepticism about whether the goal can be reached, but one industrialist said yesterday that in view of what was achieved in the 1980s, he believed it was possible. The Greens should be proud of their legacy.

BOOK REVIEW

Yorkshire terrier brought to heel

GOOD AND FAITHFUL SERVANT: The unauthorised biography of Bernard Ingham
By Robert Harris
Faber and Faber, £14.99, 202 pages

Bernard Ingham might have been a totally different character if he had gone to university. Instead he left school at 16, took a job on the local paper at Hebden Bridge in the West Riding of Yorkshire – on the road from Halifax to Burnley – graduated to the Yorkshire Post, then to the middle level of the Guardian where he was denied promotion, largely it seems on the grounds that he was judged not be "officer material". He found refuge in the civil service and eventually became press secretary to Mrs Margaret Thatcher almost throughout her period in No 10. He left office when she did last week.

The first 70 pages or so of this remarkably well-timed book are absolutely riveting, for they reveal a great deal that was previously unknown about the young Ingham. There was never any secret that he began life in the Labour party. He stood unsuccessfully as a Labour candidate in the local elections of 1965 and had hopes of running for parliament. The new element, however, is that in the mid-1960s he was an anonymous columnist of some bite in a Labour party paper called the Leeds Weekly Citizen.

Ingham wrote under the pseudonym "Albion". This was not directly a reference to England, whether proud or perfidious: it is just as likely to have come from Albion Terrace where Ingham was brought up. The poet Ted Hughes lived just around the corner, though it was not until Downing Street days that the pair of them met.

The column was aggressively Labour. Albion would lash out at the then Tory prime minister whom he dubbed Sir Alec Strangelove. He left his fingerprints in the language. Two of his favourite words were "bunkum" and "balderdash", terms which he continued to use long afterwards. He also provoked strong reactions among readers. One described him as the political equivalent of Ken Dodd.

Robert Harris deserves great credit for his research in bringing all this out. The young Ingham emerges as a broadly sympathetic figure, working hard and occasionally being put down by the establishment, of which the leader-writers and top correspondents of the Guardian were part.

Mrs Thatcher and her press secretary had a lot in common. Both were by origin lower-middle-class northerners. Both wanted, in Mrs Thatcher's phrase, "to stir things up". Ingham's enthusiasm for the Labour party waned when the trades unions refused to give their full backing to a Labour government. He supported the attempt at trade union reform by Mrs Barbara Castle, for whom he worked. It was natural that he was behind the Thatcher reforms.

Yet the prime minister had very little directly to do with bringing Ingham into Downing Street. He had been press secretary to Mr Tony Benn at the department of energy, an uneasy relationship that ended with Benn admitting that he missed him. Ingham had by then moved on to running the energy-saving department. It was Sir Jack Rampton, the permanent under-secretary at the department, who put his name forward when Mrs Thatcher was looking for a press secretary to replace the man who had originally been suggested by the lobby journalists. She took him almost without looking.

That was in 1979. After that, the book becomes less interesting. It becomes a chronicle of well-known incidents in which Ingham used the power of his unattributable briefings allegedly to "manipulate" the news and to stick knives into members of the cabinet, such as Mr John Biffen, who had incurred the prime minister's displeasure. It is also claimed that he became an empire-builder, seeking to speak for the government as a whole and to take over the entire government information service.

Readers will form their own judgment on such charges. Literally they are true. For my part, however, I cannot see how Ingham could easily have done otherwise. It is not unreasonable for the prime minister's press spokesman to want to keep an eye on the whole information machine, and if he sometimes unattributably reflected the prime minister's prejudices, at least he was not being inaccurate. Besides, a majority of journalists decided that they wanted to accept unattributable briefings.

Where I think Ingham sometimes overreached himself was in speaking out on subjects on which he had inadequate knowledge and sensitivity. There was the occasion when he seemed to be knocking the pound by suggesting it did not matter how far it fell. Another time he responded to a speech by Sir Geoffrey Howe by telling lobby correspondents: "I can assure you they are not discussing the exchange rate mechanism in the Two Ferrets at Hebden Bridge."

Economics and foreign affairs were his weak points, but so they were at least of the early Mrs Thatcher. Perhaps she learned more than he did from experience, and especially from travel. Harris makes the point that in the later years, Charles Powell, her private secretary, seemed closer to her than Ingham, largely because of the foreign dimension. Ingham will now write his own book: a kind of manual on how to run a government information service.

Malcolm Rutherford

OBSERVER

Misplaced feelings

■ The most popular privatisation to date offered a publicity coup to John Wakeham, Britain's long-suffering energy secretary who piloted the regional electricity companies to flotation.

With photographers and reporters on hand, he turned out to watch the waves of last-minute share-applicants dashing to beat the 10 o'clock closure of the offer. And he duly told the expectant media of his feelings of amazement and so on at the hectic scene.

Unfortunately, he was at the wrong place. All that was going on in front of Wakeham as he spoke was a thin stream of people filing past in the most orderly of fashions.

The spot chosen for his photo-opportunity was a branch of Lloyds, the lead receiving bank, tucked away in a City backwater so obscure that only a handful of stampeding stags turned up there. The clamouring crowds were elsewhere: wrapping themselves around a corner outside the much grander and more prominent premises of the National Westminster Bank in Princes Street.

Perhaps Nat West, whose bid to be lead receiver for the share-sale was spurned by the government in favour of Lloyds, felt that revenge was sweet.

Stern backs off

■ Ernest Stern, the World Bank senior vice-president lined up for the number two position in the European Bank for Reconstruction and Development, appears to have decided to stay in Washington.

A spokesman in Washington said Stern had no intention of leaving the World Bank, which he joined in 1972, but didn't want to talk to anybody about it.

In Paris, however, Jacques Attali – author, former adviser to President Mitterrand and the European Bank's president – was evidently still keen to secure Stern's services. "The discussions are still continuing," said an official close to Attali.

If, as it now appears, Stern will not be taking up his position in London in the near future, many believe it a severe blow to Attali and the nascent institution. With more than 30 years in development institutions, the German-born American has experience few can match. He also has a reputation of being a hard-headed but committed individual with strong administrative skills who is not afraid to say no.

These could be useful attributes in the person who takes the position of first vice-president, responsible for country strategy and lending decisions at the bank which is expected to oversee the reconstruction of the shattered economies of east Europe and the Soviet Union. The holder of the position – who must be an American – also stands in for the president on the board of directors.

There are suggestions that Stern and Attali have not agreed on the power which should devolve to the Bank's number two – which may be behind Stern's decision not to change jobs.

But EBRD officials say that the power position is mapped out by the bank's 41 shareholders, and was not a matter at issue between the two men.

Laughing gas

■ Turtlemania is provoking delighted cries of "Cowabunga" in the most unlikely sectors of industry. The latest beneficiary of the Teenage Mutant Turtles craze is the liquid nitrogen sales of industrial gases group BOC.

Young armies of Turtles fans are eating more of their heroes' favourite food, pizza. So pizza-makers are buying tonnes more liquid nitrogen to spray on their mozzarella cheese toppings.

The gas, at minus 196 deg C, ensures that the cheese stays as frozen crumbs and does not clump together before it is shaken on top of the pizza.

Cheese processors use a device worthy of the Turtles' fiendish adversary Krang, called a screw feeder, to churn up the shredded mozzarella and mix it with liquid nitrogen.

"I've half a mind to pack up my bags and throw away the key."

Fearsome

■ Meanwhile Which magazine warns parents not to be lured by the turtles craze into buying their kids real live terrapins for Christmas. They can apparently make fearsome pets, being apt to bite, outgrow their tanks, need lots of care, and carry salmonella.

The National Tortoise Club of Great Britain agrees. "Turtles indeed have to be heroes to survive a few months with many owners," says the club's Barbara Waller, who claims to speak for "the little ones who can't speak for themselves".

Juggling act

■ Sir Mark Richmond made new friends in the science community yesterday when a reporter asked him whether, being a chemist, he was the right sort of chairman to solve the financial problems of the UK Science and Engineering Research Council.

With a grin, he said Serc might do much better to replace him with "a trapeze artist".

In fact, it was more of a juggling act he offered in presenting the options before his council in trying to meet a looming budget shortfall.

The lean year will follow two which he admits have been good for Serc, biggest of the five councils supporting university research in Britain. But the threat has reawakened old arguments about "big" versus "small" science (big being physics with its atom-smashers, satellites and telescopes; small being chemistry and biology).

Panicky scientists have floated such rumours as Britain's withdrawal from CERN, Europe's joint atom-smashing enterprise; and no research grants for a year.

Although vigorously denying the latter Richmond said that, otherwise, his council had ruled out nothing, but decided nothing.

But he rejected the big versus small argument as over-simplified, saying Serc's big facilities are used by scientists from very varied disciplines, including the small variety.

Upturn

■ Things can't be all that bad in the City.

A trader with the London arm of Swiss Bank Corporation is away from work. He twisted his back lifting a crate of champagne.

ECONOMIC VIEWPOINT

Strong case for a multi-speed Emu

By Samuel Brittan

Two European Community inter-governmental conferences (IGCs) will begin in Rome next week, initially at summit level. One will be on strengthening political co-operation and the other on the path to economic and monetary union (Emu). Both meetings will illustrate the ability of human beings to play with their toys before Armageddon.

The monetary IGC is to draft an amendment to the Treaty of Rome. It has to decide the content of Stage Two, which all countries except the UK see in operation on January 1 1994, but the contents of which are still very vague. It has also to decide the criteria for moving to the final Stage Three.

The IGC will consider the report of the EC Committee of Central Bankers on the statutes of a European Central Bank (ECB) to run the single currency. The ECB is to be independent of governments and give priority to stable prices. Some points remain to be resolved, such as the powers of the six-man executive and the Bank's role in exchange rate policy towards other countries. The chairman of the Central Bankers, Karl-Otto Pöhl, insists that the ECB statutes be enshrined in the Treaty.

Some 11 out of the 12 countries support the single currency. The UK is instead pressing its "hard Ecu" for Stage Two. Spain accepts a single currency but would like the transitional Stage Two to last for several years, and to involve the "hard Ecu".

The Bundesbank on the other hand distrusts a long Stage Two. "Monetary responsibility," maintains Dr Pöhl, "is indivisible and cannot be transferred in slices." He insists, however, on a greater degree of convergence than now exists, and on guarantees against Community countries' running budget deficits, before the single currency can be established. France and Italy are enthusiasts for early Emu. The UK government desperately hopes that the Netherlands and Denmark will express their own reservations.

After much hard bargaining, a compromise is likely under which countries will choose their own time to participate in a single currency and under which a future UK parliament will make a final decision whether to participate. In return, Britain will not veto a Treaty amendment and the "hard Ecu" will have some peripheral role.

Although built-in provision for different countries to adopt a single currency at different times thus seems bound to be part of any IGC compromise, the British Foreign Office and City establishments are still

anxious about the prospect of a two-speed Europe. This is allied to an alternative metaphor: the fear of Britain's being denied a seat at a "top table".

It is time to lay these bogies to rest. There are already not two, but at least five speeds on the currency front. Portugal and Greece are outside the ERM altogether. The UK and Spain are inside it, but with a wide 6 per cent margin. France, Italy, Denmark and Ireland are linked to Germany by the standard 2¼ per cent margin. The Benelux countries have narrowed their own margins against Germany to 1 per cent. In a fifth category come countries, like Austria – and recently Norway – which have linked their currencies to the D-Mark without being members of the Community. So has Switzerland more informally.

Germany, France and the Benelux countries – which make up the Schengen group – are likely to be in a position to eliminate currency fluctuations in the early 1990s and to move very soon to a single currency. (They are named after a place where their government leaders met to plan the elimination of frontier barriers).

They have one final obstacle to overcome. The reunification of Germany, which will require the drastic reduction of the former Federal Republic's export surplus to free resources for the east, constitutes the kind of shock for which a real currency appreciation might be appropriate. There is a good

Sterling should be fixed in the next parliament and a single currency set up in the one after

chance that it can be brought about without currency changes through some temporary inflation in Germany (within the Bundesbank's unannounced 3 to 5 per cent per annum maximum tolerance levels) and near-zero inflation in the neighbouring countries.

If, however, a nominal realignment proves unavoidable, it will need to be made very clear that this is the last before a single currency is adopted. There would then be a case for the Schengen group forgetting about the transitional period and adopting full Monetary Union in say 1994-95.

There need be nothing hostile to other Community partners in there so doing, so long as they leave the door open for the rest to join them when they can. Indeed, by acting as a pilot project, they can save the whole Monetary Union idea.

The desires of some Mediterranean countries and of the British government for long transitional periods have different roots. The Mediterranean countries are not yet ready to converge on a German rate of inflation. The Bundesbank, for its part, is very much opposed to early Italian participation because of Italy's enormous budget deficit.

In the case of Britain, producer price inflation is now some 3½ to 4 per cent per annum higher than in Germany. The differential could be squeezed surprisingly quickly. The German rate is under at least temporary upward pressure because of reunification. The UK underlying rate will come under downward pressure because of recession, the constraints of ERM membership and the feedback into wages of a fast falling Retail Price Index headline rate.

The problem for the UK is political. The need for a compromise formula arises from the reluctance of parliament to sign up for a single currency now. But after the next election politicians from both sides should watch very carefully the progress of the Schengen group and seriously consider joining them, first in establishing permanently fixed exchange rates in the next parliament and then a single currency in the parliament after next.

A belief that this is a likely prospect would help the process of convergence. For it would add some badly needed strengthening to the credibility of British ERM membership and encourage the belief that any future sterling realignment will be long-delayed, modest and above all final.

Readers will know that if I were asked: "Do you believe in the single currency, yes or no?" I would say: "Yes, preferably the D-Mark." But, alas, the D-Mark option is unlikely to be permanently available and the British government's best bet would be to back an ECB as much like the Bundesbank as possible.

What is the relevance of German experience since currency unification in July? The problems of east Germany do not arise from the adoption of the D-Mark or the conversion ratio (which was effectively 1.8). They arise from the insistence of German unions and German politicians on similar real wages and social security levels in the two parts of Germany despite very different productivity levels. The same pressures would have arisen without currency unification.

A single currency does not require great mobility of labour or population losses from the weaker regions. The main requirement is adequate flexibility of factor prices in the face of differential supply and demand pressures.

Where does all this leave the "hard Ecu"? Politically, the proposal has been successful in uniting Conservative MPs who can say "hard Ecu" to television cameras. It also provides the British delegation at the forthcoming IGC with an institution to propose which would require a Treaty amendment. It may even have some role to play in linking the peripheral Community countries to those using the single currency. But it is hardly the central issue.

Baghdad's nuclear capability

Making sense of Iraq's nuclear strength

By Norman Dombey

President George Bush was reported last week as saying that those who measured the Iraqi nuclear weapon timetable in years "may be seriously underestimating the gravity of the threat". His defence secretary, Mr Richard Cheney, added that Iraq could develop some sort of crude nuclear device in a year or less. Iraq's potential nuclear weapons capability provides a reason for waging war against Baghdad which is more acceptable to Congress and the American public than the liberation of Kuwait.

Yet unlike Israel or Pakistan, which are both believed to be actively pursuing a nuclear weapons programme, Iraq is a signatory to the Nuclear Non-Proliferation Treaty of 1968.

This requires Iraq to declare all its nuclear materials to the International Atomic Energy Agency (IAEA) so that they may be safeguarded. The IAEA inspected Iraq's facilities at its request on November 19-22 and declared last week that there was no evidence of any diversion of nuclear materials from civil use. There has been no material change since April when the previous inspection took place. All Iraq's weapon-capable material was safe under IAEA seal or accounted for in reactors or as spent fuel.

It seems that Iraq has not violated any of its safeguard obligations as far as nuclear weapons are concerned (although it has violated treaty obligations on chemical weapons), and that therefore it would be premature to justify any act of war on account of a potential nuclear capability. So how is it possible to reconcile the statements of President Bush and his officials with those of the IAEA?

Before any country can make nuclear weapons it needs to acquire enough special nuclear material, either uranium 235 (highly enriched uranium) or plutonium. Iraq has in its possession 12.3kg of nearly pure uranium 235 in the form of nuclear fuel supplied by France as the first load for the Osirak research reactor, which was subsequently bombed by Israel in 1981.

This is certainly suitable for weapons use, but the critical mass of a sphere of uranium 235 is about 50kg. Weapons designers can reduce this but IAEA experts consider that at least 25kg of uranium 235 would be necessary for a state with no previous experience to make a first weapon.

Furthermore, the uranium would need to be extracted from the fuel casings and refabricated: this would take some time. The purpose of IAEA inspections is precisely to be able to give timely warning of any possible diversion of nuclear material to explosive use.

Iraq also possesses about 10kg of uranium 235, supplied by the Soviet Union for use at the IRT – 5000 reactor and by France for use at the Tammuz-2 reactor. The Soviet reactor is much the larger and the USSR is responsible for all fuel services there including the

In terms of declared facilities, the threat of an Iraqi nuclear weapon capability is no more nor less than it was 10 years ago

disposal of spent fuel. About half of the 10kg is secure in the core of this reactor. Much of the remainder is in the form of highly radioactive spent fuel. So in terms of declared facilities, the threat of an Iraqi nuclear weapons capability is no greater nor smaller than it was 10 years ago.

So are there any clandestine nuclear activities?

There are two hard pieces of information: the electronic detonators seized at Heathrow airport in March; and the centrifuge endcaps seized at Frankfurt airport in July, in both cases en route to Iraq. The detonators were of the type used to trigger a nuclear explosive, but could also have been intended for Iraq's "super gun". The endcaps were made of a very high-quality steel and could not reasonably be used for any purpose other than for uranium centrifuge enrichment plant.

According to Mr David Fischer, a former assistant director-general of the IAEA: "It is unlikely that Iraq possesses a single functioning centrifuge. In any event, it would need more than 1,000 centrifuges to obtain sufficient uranium 235 to build one weapon in one year."

Furthermore, in neither case did Iraq necessarily break any treaty obligation; the violators of international agreements were the western suppliers. Iraq is obliged to tell the IAEA about any nuclear facility only when nuclear material is at the facility.

What then of the statements from Washington? It is clear on a careful reading that these refer to "worst case" scenarios. If a US weapons design team were based in Iraq, it could indeed explode 12.3kg of uranium 235. If western European engineers were at the disposal of Iraq, they could build the centrifuge plant provided they obtained the components. So the statement of the US administration is not incompatible with that of the IAEA.

There are two relatively easy positive steps which could be taken to lessen the risk of an Iraqi nuclear weapon capability. First, the IAEA could inspect the uranium 235 storage facilities more often; an inspection every two months rather than every six would provide a far more substantial assurance of treaty compliance.

Second, where there is evidence of clandestine nuclear activity in a signatory country to the non-proliferation treaty, the procedures for special inspection allowed for by the IAEA rules but never activated should be tried out.

This was the British government's contribution to the treaty review earlier this year and the Iraqi situation provides an opportunity to the IAEA to initiate these measures. In the present circumstances Iraq would probably welcome them.

The author is professor of physics and associate fellow of the science policy research unit of the University of Sussex.

LETTERS

Arise and support Oftel

From Lord Hanson.

Sir, Congratulations to Derek Broome ("BT cat threatening the 'phone numbering canary", December 4) on his clear exposé of the muddied thinking of British Telecom. Having the opportunity to work half the year in the United States makes it easy for me to understand the differences between our systems.

Mr Broome puts his fingers squarely on the dial (or should I say keypad). I hope consumers will arise and support his plea for Oftel to intervene.

Lord Hanson,
1 Grosvenor Place, SW1

Something else Thatcher inherited from Heath

From Dr Bart Smith.

Sir, Nigel Wilmot ("Catch Thatcherite TV – every night, in prime time", December 5) cites The Brothers as an example of business programming representing the enterprise culture.

This programme began in 1972 – the year of Mr Heath's U-turn – and ended in 1976 when James Callaghan was prime minister, more than two years before Mrs Thatcher entered Number 10.

Scarcely a good example of "Thatcherite" television, one would have thought.

Dr Bart Smith
18 Rectory Gardens, N8

Community charge: the 'zero option'

From Mr Vivian Linacre.

Sir, Rather than conduct a piecemeal review of the community charge in response to political pressures, the new administration should seize this opportunity for a radical reform of the whole structure of local government finance.

To relieve the inequity of the poll tax and its ruinous administrative cost will not affect the four fundamental objections in relation to the present system.

First, contrary to the public perception, this contentious tax produces less than 30 per cent of local authority revenue in England and Wales, and barely 20 per cent in Scotland, compared to which the disruption of society and distraction of executive resources are out of all proportion. Having regard to the interests of democracy as well as efficiency, the entire regime is condemned.

Second, it remains a mystery why rates had to be abolished for domestic property but retained for commerce and industry.

Third, the current review is bound to result either in additional rate support grant, thereby further reducing the community charge's relative contribution to local authority revenue, or some form of means testing, thereby further undermining the principle.

Finally, the subject is bedevilled by the vaunted aim of "greater accountability", which is sheer cant, since the accountability which central government seeks to impose is towards itself rather than towards the local electors.

The only possible solution to overcome all these objections is to scrap the community charge together with the uniform business rate and the complex apparatus of the rate support grant in favour of a single, open regime of annual global block grants paid directly by the exchequer out of existing forms of national taxation, based on a flexible formula taking account of regional economic policies as well as demographics. Each local authority would largely have discretion in spending in accordance solely with the dictates of good house-keeping and of their revitalised electorates.

Certainly, levels of income tax and VAT would rise to compensate, but not by as much as the equivalent of the poll tax, because of the billions saved in bureaucracy. Likewise, commerce and industry (and hence the economy) would benefit from the removal of the unpredictability and incompatibility of rating in return for a moderate rise in direct corporate taxes.

Any form of local rates or taxation is not only archaic (deriving from the Elizabethan poor law and Victorian parish relief) but also superfluous, given the armoury of fiscal weapons at the chancellor's disposal. Local government must be treated as one of the spending departments like defence and the health service; which means that, like the national government, local authorities must be made capable of budgeting, by matching their own priorities – free from Whitehall interference – against the provision of a fixed capital sum.

It takes courage and imagination for any politician – pushed by the civil service and pulled by the media – to answer the question: "Yes, but what do we put in its place?" with a loud "Nothing!" So is the new administration bold and enlightened enough to promote the "zero option"?

Vivian Linacre,
35, Alva Street, Edinburgh

From Mr Bernard Baboulène.

Sir, Mr M.G. Bond's "solution" ("Poll tax solution", December 4) to the poll tax would merely perpetuate its worst feature, namely its artificial interference in the market for house-room and services. A concession for single occupancy as such, with a corresponding penalty for multi-occupancy, discourages the sole occupant of too much room from either moving somewhere smaller or taking in lodgers – that is, it encourages waste.

Mr Bond is of course thinking of the elderly widow or pensioner who chooses (sic) to stay on alone in a substantial house, but he will get his answer if he asks himself if it is right for, say, four people (who may not all be earning) living in a small cottage to pay four times as much as a millionaire alone in a 30-room mansion.

It is surprising at this stage of the debate to find the point still not grasped.

Bernard Baboulène,
10 Richmond Avenue, SW20

There is a sinister shadow as the USSR panics about famine

From Mrs Nora Beloff.

Sir, Mr Quentin Peel ("Corruption, not shortage keeps bread from mouths", December 1/2) provides us with ample evidence that there is no threat of famine anywhere in the USSR, but he fails to point out that it is President Gorbachev and his spokesmen who are helping spread panic and fear. For them, this has two obvious advantages: first, the emergency powers, which Mr Gorbachev is now seeking, are presented as the only alternative to chaos. Second, western governments are being induced to help him meet the costs of his current struggle against his liberalising and decentralising opponents.

There are Soviet cities, where, as Mr Peel says, transport and distribution have collapsed and there is an unanswerable case for identifying areas of need and flying in essential commodities. But when westerners advocate helping poor Mr Gorbachev, they should remember what they are helping him against.

As an article in the current issue (no 46 1990) of Ogonek points out, he has already rid himself of his reactionaries and is now in conflict with the post-communist reformers, who argue that the real obstacle to change is the collectivist ideology, on which perestroika – like all the preceding Soviet reforms – will founder.

Within the past few days we have had a startling example of the collision. The Russian Soviet has adopted a programme for land reform, which would allow workers on state farms and collectives to withdraw, taking along their share of the property. Two days before the vote Mr Gorbachev stated publicly that he would never accept private ownership of land: "Do what you will, I do not accept it. Leasing, yes, even for 100 years, even with the right to sell leases, but I do not accept private property."

Ambassador Zamyatin has appealed for direct contributions to a central system being set up under the personal control of Mr Gorbachev. Those who argue that Mr Gorbachev's international co-operation justifies helping him internally might care to note that it was 48 hours after Saudi Arabia slipped him a $4bn loan that the USSR backed the critical Gulf resolution.

Nora Beloff,
11, Belsize Road, NW6

FINANCIAL TIMES
Thursday December 6 1990

Drug barons received western military aid

Robert Graham on a new report criticising Britain, the US and Israel over arms sales

BRITAIN, the US and Israel are taken to task today for failing to prevent ex-soldiers from training and selling arms to Colombia's drug barons.

The scathing criticisms come in a report into the sale of Israeli arms to the tiny Caribbean Island of Antigua.

The guns, ostensibly for the defence forces of the British dependency, were, it now emerges, part of a complicated plot to set up a training school on the island for hired killers in the pay of the Colombian cocaine mafia.

The report, by Mr Louis Blom-Cooper, a British lawyer, says all three governments were either duped or turned a blind eye to the events leading to up to discovery of the guns in January this year by Colombian security forces on the estate of a leading member of the Medellín drug cartel.

This discovery led to a protest by the Colombian government which triggered the commission of inquiry headed by Mr Blom-Cooper, the prominent barrister and jurist.

Mr Blom-Cooper urges the British government to launch a criminal investigation into British mercenaries who have worked for the Colombia's notorious Medellín cartel training hired assassins.

The report recommends no criminal proceedings against the Antiguans involved but says that Mr Vere Bird junior, eldest son of the prime minister, and the former minister of works, Lt-Col Clyde Walker, commander of the Antigua Defence Force be dismissed. The Antigua government has already endorsed the report.

The arms on the estate of Mr Rodriguez Gacha, a leading member of the Medellín cartel,

UK government is urged to launch a criminal investigation into UK mercenaries who have worked for Colombia's notorious Medellín cartel

were diverted from Antigua to Colombia after publicity over the training of assassins for the drugs cartels by former Israeli officers and former members of Britain's elite SAS.

The report recommends that the Israeli government "take further steps to look at the procedures for issuing licences to export arms and ammunition".

The order was in the name of a non-existent quartermaster general of the 98-strong Antigua and Barbuda Defence Forces for 400 galil rifles, 100 uzi sub-machine guns and 250,000 rounds of ammunition.

"Given the deadly nature of these products the international community can certainly expect governments which deal in arms to take great care that they are not delivered to narco-terrorists. Israel Military Industries [the commercial wing of the ministry of defence] did not take great care – or, as far as I can see any care at all," Mr Blom-Cooper says.

The report is scathing about the inactivity of the US authorities despite the fact that the conspiracy to export the guns and set up a training school in Antigua was hatched in Miami by people likely to have attracted attention.

Brig-Gen Pinchas Schachar, an ex-Israeli tank communications specialist at the centre of the deal, was the Miami-based Central and South American representative of IMI.

"Given the much-publicised 'war on drugs' waged against the Colombian cartels by successive American administrations, one would expect that this conspiracy to arm the Medellín drugs cartel would have engaged the early and intensive scrutiny of American authorities...I have been somewhat surprised by the lack of overt interest in this matter displayed by American law enforcement agencies."

A number of British mercenaries, several formerly with the SAS, had helped train para-military forces of the Medellín cartel in 1988.

According to the report, the US could help find evidence of the origin of the $381,000 paid for the arms deal – funds which probably came from drug proceeds.

It emerged during the enquiry that a number of British mercenaries, several formerly with the SAS, had helped train para-military forces of the Medellín cartel in 1988. They had worked with retired Col Yair Gal Klein, a former Israeli commando who set up a security company, Spearhead.

The Israeli government has just prosecuted Col Kelin for his part in the affair; but the British government has "turned a blind eye". Mr Bloom-Cooper urges the UK to launch a police investigation into the conduct of these mercenaries and "either prosecute them or amend the law so that those mercenaries minded to follow them may be prosecuted in the future".

He draws a distinction between allowing mercenaries to travel abroad to become involved in an insurgency and where they assist "a group of international criminals and terrorists who are attacking the State only in order to protect their illegal drugs base."

THE LEX COLUMN

The lure of cheap electricity

However his efforts were marketed in the electricity flotation, Frank has failed to spark the nation's imagination to the extent managed by Sid in 1985. But in the context of a decidedly nervous equity market, he has served his political masters well. The issue has been comfortably over-subscribed, though as with water it will be impossible to calculate how many individuals made applications. Sid's total of 4.5m individual investors is unlikely to be beaten if one adjusts for the fact that a customer making a preferential local application and in addition applying for shares in the remaining companies is counted as having submitted 12 separate applications.

The government now faces the possibility that the shares will run to embarrassing premiums when dealings start next week. The hype aside, Mr John Wakeham would doubtless have preferred a modest success to a stags' party. It will be difficult to defend the charge that his department under-priced the sale. At the same time, investors will no doubt be disgruntled if they receive tiny allocations and have to wait to get their money back. As has been generally the case with the privatisation programme, the cause of the *bona fide* small shareholder will have been poorly served.

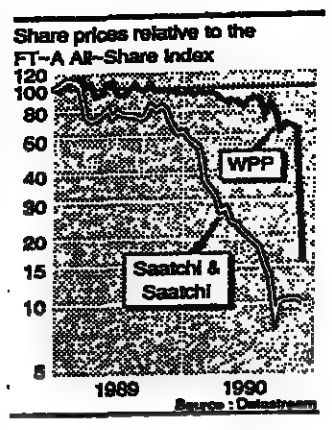
It also remains to be seen how quickly the distribution companies assert the differences which were so successfully smoothed over during the flotation. Arguably, if the companies had been allowed free rein to sell themselves, the range of initial yields would have been much wider. Disparities should begin to emerge fairly promptly once the frenzy is over.

Eurotunnel

It will not be possible to judge whether the Eurotunnel rights issue has been a success until the end of next week when the French side reports. Nevertheless, the result of the £239m UK tranche – 42 per cent of the total – is fairly impressive. Admittedly, sentiment may have been helped by a 6 per cent market rise in the interim. But given the scale of bribes being offered to lure investors into the competing electricity flotation, the fact that UK investors were prepared to put more money into a project which has badly over-run its budget and is not going to pay a dividend until the turn of the century is both surprising and encouraging.

Of course, the issue was deep-discounted and the perks on offer probably had a minimum value of 70p a share. However, the fact that such an issue can be undertaken in the midst of a bear market suggests the conventional wisdom that the City is not prepared to back rescue rights issues is wide of the mark.

The Eurotunnel refinancing is a rescue rights issue *par excellence*. However, 84.3 per cent of the issue has been taken up and there was no need to place the rump of the issue at a discount, suggesting that many institutions had badly underestimated the public appetite. Last night, the shares were heading back towards their £4 ex-rights price. Investors may still make a packet on this high-risk investment. But they need to be conscious that the real money will be made or lost between now and the opening in 1993. It remains a highly volatile share.



Bass

Are the brewers recession-proof, or not? If any of them qualifies for the epithet, then it should be Bass, in view of its 23 per cent share of the UK market and the fat 20 per cent profit *margins it makes from* pub retailing. The hitch, of course, is this year's Holiday Inns acquisition in the US, or rather the close to £1.4bn of net debt still sitting on Bass's balance sheet, mostly as a result of that deal. To criticise Bass's strategy, or timing, would be a little unfair. Bass may have bought Holiday Inn just before a US recession, but the same management got rid of its Crest chain in the UK right at the top of the hotel market. The reality, though, is that it could probably be 1992, at best, before significant benefits flow through to the bottom line from the acquisition.

The striking thing in yesterday's full-year figures, showing taxable profits up 15 per cent at £535m, was the strength of Bass's bed-rock business in the UK. Nobody, including Bass, is pretending that this year will be easy. The summer hiccough in trading profits in Bass's betting shops and in pub retailing may have been due to one-offs like the introduction of the poll tax and the World Cup on television, but also suggest some choppy times ahead in 1991. Given Bass's dominance of the branded lager market and its stake in a money spinner like the newly-rationalised Britvic fruit juices, the group's competitive advantages over its rivals are substantial.

So appraising the shares is a matter of balancing the very visible UK earnings stream against the still slightly speculative elements of Holiday Inn. In view of the latter, the shares are not noticeably cheap on their current yield of 4.2 per cent.

Saatchi

On a sanguine view, Saatchi & Saatchi's full-year figures show the final effects of past blunders working through. As usual, the results are strewn with items bearing precious little relation to running an advertising business: here a £6m profit on sale of paintings, there £23m of property provisions. The net result is a further £98m contraction in the balance sheet. But the cash outflow in the year was reduced to zero. Assuming Saatchi is now a clean business, there should be no outflow this year either. Though there will probably be a further bottom-line loss, it should be nothing like last year.

But for the ordinary shareholder, no useful conclusions can be drawn ahead of the forthcoming financial reconstruction. If the holders of the Euroconvertible are persuaded to relax their stranglehold on the company's future, it can *only be at the expense of heavy* dilution for the existing equity holders. As it is, the company faces an earn-out payment early next year which will increase issued share capital by up to 15 per cent. Add to that the fact that ordinary dividends will not be resumed for years and it becomes hard to assign any value to the ordinary at all.

On the other hand, it may be that sentiment towards Saatchi could be helped by the recent collapse of the WPP share price. If the big agencies are all in ruins together, someone will still have to produce the ads in five years' time. Whether the industry will ever return to the high days of the 1980s is a more open question.

Antarctic talks split over mining

By **Leslie Crawford** in Santiago

A THREE-WEEK meeting of signatories to the Antarctic Treaty, held to discuss stronger protection for the continent's fragile environment, risks ending in disarray today unless delegates can find a last-minute formula to paper over divisions on commercial mining.

The 39 treaty nations have been unable to bridge the gulf between supporters of an outright ban on all mineral activities, including prospecting and exploration, and those who believe the continent's mineral wealth could be exploited in the future with environmentally safe technology.

The meeting in Viña del Mar, Chile, was the first to be devoted solely to the issue of environmental protection.

The guardians of the Antarctic had hoped to leave Chile with a draft protocol regulating all human activity on the continent – including the operation of scientific bases, tourism, waste disposal and the protection of wildlife.

But the debate over the possibility of mining and oil drilling has blocked progress on other issues.

Australia and France are leading a group of 10 countries who believe a protocol for the protection of Antarctica's ecosystem cannot ignore mining.

They are arguing for an outright, indefinite ban. A rival camp, led by Britain and Japan, opposes the ban and wants the mining issue to be left out of the protocol.

After two weeks of debate a Norwegian delegate submitted a compromise document on Monday.

It included an article prohibiting mineral resource activities, but the text has been placed in brackets.

Australia and France are threatening not to endorse the document unless the prohibition forms part of the full text. Britain feels the article should not be there at all.

The US has been trying to mediate between the camps, but is not optimistic that a compromise, in the form of a 30-year moratorium, can be reached.

Mr Curtis Bohlen, head of the US delegation, said: "If we don't get a breakthrough, we will be back to square one when we meet again in six months."

The US is willing to discuss a finite or indefinite ban on mining, within either the environment protection protocol or in some other forum.

"The essential outcome is that mining be prohibited for a long period and that if the ban were to be lifted, there should not be a legal vacuum that would leave mining unregulated," Mr Bohlen said. Although scientists believe that mining will not be technologically feasible for another 30 years, many countries believe that banning mining altogether is the only way to preserve the last great wilderness on earth.


Teltschik: media move

Kohl loses top foreign policy expert to industry

By **David Marsh** in Bonn

MR Horst Teltschik, Chancellor Helmut Kohl's most trusted foreign policy adviser, announced yesterday that he would leave the German government at the end of the year to become chairman of the foundation which is majority owner of the Bertelsmann media group.

The move into industry of a key figure in Mr Kohl's "kitchen cabinet" amounts to a setback for the chancellor as he struggles with difficult coalition negotiations after winning Sunday's general election.

In a statement yesterday, Mr Kohl expressed his "regret" about Mr Teltschik's decision to quit politics, saying that he would lose an adviser who had performed his tasks with "exemplary conscientiousness, responsibility and discretion."

The Bertelsmann group ranks as the world's second-largest media concern with annual turnover of DM13.3bn ($8.8bn).

Mr Teltschik is likely to concentrate on running the Bertelsmann Foundation's considerable activities in organising wide-ranging cultural and political research programmes.

Mr Teltschik's departure will leave German foreign policy-making even more in the hands of Mr Hans-Dietrich Genscher, the foreign minister.

Mr Genscher's liberal Free Democratic Party (FDP) was the main winner in the Sunday polling, has frequently registered irritation over Mr Teltschik's independent-minded activities at the Bonn Chancellery.

"This will please Genscher," said one veteran German diplomat last night. A Foreign Ministry spokesman agreed that Mr Genscher would not be displeased at the move.

Mr Teltschik's most likely successor is his present deputy, Mr Peter Hartmann, who – unlike the present incumbent – is a career Foreign Ministry diplomat.

Mr Hartmann played a key role at the beginning of the year in helping persuade Mr Kohl to shift his position on recognising fully the inviolability of the Oder-Neisse line as the German-Polish border.

Mr Teltschik, 50, has been a member of Mr Kohl's policy team since 1972.

BT attacks US telephone monopolies

By **Martin Dickson** in New York and **Paul Abrahams** in London

BRITISH Telecom launched an attack yesterday on the local monopolies enjoyed by America's "Baby Bell" telephone companies and on other restrictive barriers limiting foreign access to the US market.

At the same time, Lord Sharp, former chairman of Cable & Wireless, called for the US, Japan and the UK to negotiate a charter for an open telecommunications market binding the Atlantic and Pacific, enabling operators already open to foreign participation to have national rights in each country.

Mr Malcolm Argent, BT's group director and secretary, complained that US Regional Bell Operating Companies will be allowed freely to enter the UK telephone market next year.

He said it was unfair that the RBOCs should enter the UK cable television and telephone market with their pockets stuffed full of cash from their largely monopoly US telecommunications operations.

Mr Argent said he had no objection in principle to US or other operators competing in the UK, but he was disappointed by the UK government's apparent lack of determination to secure reciprocal agreements elsewhere.

Lord Sharp, speaking in Washington, said a new Atlantic and Pacific charter would give a strong impetus to efforts to liberalise the continental European market, which was monopolised by local government-owned post, telegraph and telecommunications companies (PTTs).

It would "force the protectionists in continental telecommunications to demand a place in the liberal sun or miss the boat taking all telecommunications into the 21st century".

Lord Sharp said the RBOCs had obtained nearly 90 per cent of the UK cable franchises. This was well over half of British fixed link lines.

While the Baby Bells were quite justified in exploiting market openings, the US government should "reflect on the fundamental asymmetry between the RBOCs exploiting their local monopoly positions to cross-subsidise market entry overseas and the restrictions applying to foreign operations in the US."

This act, which limited foreign ownership of companies involved in radio services to 20 per cent and banned involvement in management, was a "deliberate and formidable restrictive protectionist barrier" to UK companies, despite the fact that US companies were free to operate unrestricted in Britain.

Baker in last bid for peace

Continued from Page 1

Claiborne Pell, the committee's chairman, that "many members of Congress are deeply disturbed by the possibility of an early US resort to offensive action".

● General Colin Powell, chairman of the joint chiefs of staff, backed up Mr Baker in a forceful speech to the Royal United Services Institute for Defence Studies in London, adds John Arthers.

He said Iraqis "are not facing a force of 15-year-old teenage cannon fodder as they have experienced in the past". He added: "If we have to use force, if it comes to that, we will use overwhelming force to win decisively as quickly as possible with as few casualties as possible".

Experience in Vietnam had enforced his military philosophy: "If you go to war, you go to war to win".

Our Foreign Staff writes: Yemen yesterday called for an Arab summit to prevent war in the Gulf as the prospective meeting of US and Iraqi leaders gave fresh impetus to Arab diplomatic efforts to defuse the region's crisis.

Mr Ali Salem al-Baidh, the Yemeni vice-president, made the call after emerging from unannounced talks in Bagdhad with Mr Saddam Hussein, the Iraqi president.

Britain's policy on EC will not undergo revolution, says Hurd

By **Robert Mauthner**, Diplomatic Correspondent, in London

BRITAIN wants the European Community to be successful, but the government's European policy will not undergo a revolution just because of a change of prime minister, Mr Douglas Hurd, foreign secretary, said yesterday.

Giving evidence to the House of Commons select committee on foreign affairs, Mr Hurd underlined Britain's essentially positive approach towards the Community's future development, while rejecting any suggestion that it should lead to a federal structure on the US or German model.

"Our policy is as stated: we believe in an evolving Community," Mr Hurd said. Britain did not believe, however, that the Community was like a glacier, moving inexorably towards an inevitable goal. "We believe that any movement has to be looked at on its merits, on its usefulness."

Looking forward to the European Council and intergovernmental conferences of the 12 EC members on Economic and Monetary Union (Emu) and political union in Rome later this month, Mr Hurd emphasised that British ministers would not be attending them as "wreckers." On the contrary, they intended to bring their own ideas to the subjects under discussion.

Without entering into any detail on Emu, Mr Hurd nevertheless took a markedly more cautious stand on the proposal to introduce a single currency in the Community, approved in principle by all of Britain's partners but rejected out of hand by Mrs Margaret Thatcher, the former prime minister.

Such a currency would not be accepted by Britain if it were "imposed" as the result of a political decision by the other Community countries. "Over time," however, a single currency might become conceivable if "individual citizens" became reconciled to its use. This phrase presumably referred to the British proposal for a "hard Ecu", to be used initially in Community countries in parallel to national currencies.

On political union, Mr Hurd said there was further scope for the definition and clarification of foreign policy co-ordination within the Community.

He claimed, however, that there was "a general view", with only one or two exceptions, that the Twelve should not become a defence community.

A distinction was rightly made between "defence" and "security" policies. Those of the member states who relied for their defence on Nato would continue to do so. But there was a case to be made for establishing closer links between the Community and other western defence institutions such as Nato and the Western European Union.

In the field of security policies, covering such matters as arms control, control of arms exports and co-operation on crises, such as the present situation in the Gulf, more could perhaps be done to promote co-operation between the Twelve.

In this context, Mr Hurd opposed any extension of qualified majority voting in the Community's institutions, although he admitted that it had worked well in the establishment of a single European market and had been, "on the whole," in British interests.

The foreign secretary did not see any reason for a further extension of the powers of the European Parliament, at least in the sense of increasing its legislative role. Mr Hurd did, however, consider that the European Parliament should have an enhanced role in monitoring the work of the European Commission, in controlling the Community's budget and in ensuring financial accountability in general.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	14	57
Algiers	S	14	57
Amsterdam	C	7	45
Athens	S	10	50
Bahrain	S	25	77
Bangkok	F	28	82
Barcelona	S	9	[illegible]
Beirut	-	–	–
Belfast	C	7	45
Belgrade	C	1	[illegible]
Berlin	F	[illegible]	37
Biarritz	Fg	1	34
Bombay	S	31	88
Bordeaux	[illegible]	7	45
Boulogne	F	8	46
Brussels	C	6	43
Budapest	Sn	1	34
Buenos Aires	F	27	80
Cairo	S	21	70
Cape Town	S	30	86
Caracas	[illegible]	26	79
Casablanca	S	21	70
Chicago	S	-8	18
Cologne	S	5	[illegible]
Copenhagen	S	2	36
Corfu	F	11	52
Dallas	S	1	34
Dublin	C	7	45
Dubrovnik	C	7	45
Edinburgh	C	7	45
Faro	R	[illegible]	57
Florence	C	8	46
Frankfurt	S	[illegible]	[illegible]
Geneva	C	5	41
Gibraltar	C	15	59
Glasgow	C	7	[illegible]
Helsinki	F	-1	30
Hong Kong	S	22	72
Innsbruck	Sn	-1	30
Inverness	C	7	45
Islamabad	F	19	66
Istanbul	[illegible]	10	50
Jakarta	R	[illegible]	88
Jersey	S	9	48
Johannesburg	C	19	66
Lima	F	23	73
Lisbon	C	11	52
London	S	8	46
Los Angeles	S	16	[illegible]
Luxembourg	S	[illegible]	41
Madeira	S	20	68
Madrid	S	8	46
Majorca	S	16	61
Malaga	Dr	13	55
Malta	R	14	57
Manchester	Fg	2	36
Manila	[illegible]	29	84
Melbourne	S	33	91
Mexico City	C	20	68
Miami	S	16	61
Milan	S	10	50
Montreal	C	-7	19
Moscow	[illegible]	2	36
Munich	Sn	-1	[illegible]
Nairobi	F	19	66
Naples	F	11	52
Nassau	C	28	82
New Delhi	S	21	70
New York	[illegible]	[illegible]	[illegible]
Nice	F	13	[illegible]
Nicosia	F	21	70
Oporto	C	13	55
Oslo	F	26	79
Paris	S	6	43
Peking	S	9	48
Prague	C	1	34
Reykjavik	F	2	36
Rhodes	F	17	63
Rio de Janeiro	F	[illegible]	[illegible]
Rome	F	8	[illegible]
Salzburg	Sn	0	32
San Francisco	F	9	48
Seoul	F	9	48
Singapore	R	27	81
Stockholm	S	-1	30
Strasbourg	F	5	41
Sydney	F	25	77
Taipei	C	24	75
Tangier	C	15	59
Tel Aviv	S	19	66
Tenerife	F	21	70
Tokyo	S	14	57
Toronto	C	-6	21
Tunis	F	14	57
Valencia	S	12	54
Venice	S	9	48
Vienna	C	2	36
Warsaw	C	1	34
Washington	C	1	34
Zurich	[illegible]	3	37

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

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FINANCIAL TIMES
COMPANIES & MARKETS

Thursday December 6 1990

INSIDE

Daimler pursues lustre in London

Today sees the arrival of Daimler-Benz on the London stock market. The German car and truck company, which has branched out into electronics, aerospace, and defence, hopes the move will give it more lustre in the world's financial markets. Its managers want to develop closer links with the foreign investment community at a time when the group's costly move into non-vehicle activities has caused concern that it has over-stretched itself and condemned profits to a period of prolonged stagnation. Page 19

Bust up of the Banana Bunch

They could not resist the bananas. The fruit was the favourite purchase of East Germans last year when they first poured into West Germany. It signalled the vast potential of eastern European markets for the big three of the banana industry – Chiquita Brands International, Dole and Del Monte. But just when the banana business looks better than ever, it faces an improbable corporate realignment. Barbara Durr reports. Page 27

Profits warning at Pirelli Tyre

Pirelli Tyre Holding (PTH), the Dutch company which controls the tyre activities of Italy's Pirelli group, has warned that its full-year net result will drop from Fl 206m ($122m) to around the break-even. It blamed the continued difficulties of the world tyre market and noted that some of its competitors have already warned of significant 1990 losses. Pirelli of Italy is currently trying to spur Continental of Germany into merging with PTH. Page 18

Build up at Robert Douglas

With only a very small part of its business in the troubled UK residential and commercial property development sector, Robert M. Douglas has so far managed to escape the worst effects of the recession in the British construction industry. Yesterday, the Midlands-based building group announced that pre-tax profits rose from £5.26m to £5.34m ($10.4m) during the six months to the end of September. Page 25

Yorkshire makes £57m midway

Sir Gordon Jones (left), chairman of Yorkshire Water yesterday reported profits of £57.4m ($12m) before tax for the six months to September 30, and declared an interim dividend of 5.9p. He said Yorkshire, one of the UK's 10 privatised water companies, was reorganising its core business activities and expected to achieve its investment target of £240m by the end of the group's financial year. Page 24

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
BASF	212.8	+	5.3
Bayer	217.7	+	4.7
Deutsche Bank	621.5	+	13
Hoescht	205.4	+	6.4
Veba	307	+	9
Falls			
Henkel	546	–	34.8

NEW YORK ($)			
Rises			
Bankers Trust	43½	+	2⅛
Chse Manhattan	12½	+	1
Chemical Bank	13¼	+	¼
Citicorp	15⅝	+	1⅜
Falls			
AT&T	30	–	¼
Toys 'R' Us	22½	–	¾

New York prices as at 12.30pm.

PARIS (FFr)			
Rises			
CGIP	910	+	35
Ecco	326.5	+	19.7
Gen Occident	611	+	48
Locafrance	460	+	13
Falls			
Gen Geophys	900	–	30
Sagem	1415	–	33

TOKYO (Yen)			
Rises			
Honshu Paper	2200	+	60
K'saki Steel	378	+	3
Osaka Gas	422	+	7
Falls			
Iseki	520	–	30
Kurabo Inds	885	–	35
Kyosan Elec	1350	–	50

LONDON (Pence)			
Rises			
Bass	1026	+	31
Body Shop	174	+	12
Calor	227	+	6
Cape	181	+	13
Euro Disney	998	+	16
Eurotunnel	365	+	22
Glaxo	858	+	18
Grand Met	612	+	10
Wellcome	798	+	10
Falls			
Acsis	9	–	2
Arcolectric	83	–	15
Brunning	23	–	3
Bunzl	68½	–	4½
Chloride	16	–	2
Clayform Prop	71	–	4
Ladbroke	280	–	6
Oxford Visol	16	–	5
RMC	656	–	18
Rowlinson	150	–	15
Saatchi	34	–	3
Wickes	59	–	17

Italian government moves to block computer group's threat to 5,000 jobs

Olivetti retirement plan vetoed

By John Wyles in Rome

THE ITALIAN government has rejected a request from Olivetti for legislation to fund the early retirement of 5,000 of the computer and electronics company's employees.

Olivetti had made the request as part of a restructuring operation to counter the downturn in world computer markets.

The decision, which many not be final, appears to have been prompted by a surge in redundancies at Italian companies under pressure from falling demand for their products.

This week, for example, the Fiat group notified the trade unions of 2,800 job cuts in its tractor and defence equipment subsidiaries.

Economics ministers, in particular, opposed Olivetti's request because of the potential burden of financing extra state pensions.

However, the government's decision to award at least three years full unemployment pay – fixed at around 80 per cent of earnings – to 2,800 Olivetti employees from January 4, will still bear on the public exchequer.

Olivetti has suffered weakening profits for the past three years.

For the first half of 1990, group pre-tax earnings tumbled by 40 per cent to L61bn ($54m) on sales just 6 per cent higher at L4,167bn.

The poor performance led to the resignation two months ago of Franco Tato, one of Olivetti's most senior executives, who left the company after a long-running conflict over strategy with Vittorio Cassoni, the group managing director.

An inter-ministerial committee is to study the possibility of finding openings for the redundant workers in public administration and private companies.

It is possible that the early retirement solution – pensions at 50 for men and 47 for women – may then be applied to those workers who have not been relocated.

The government's decision will disappoint Confindustria, the Italian organisation of industrialists, whose president, Mr Sergio Pininfarina, had earlier appealed for measures to help the crisis in computer electronics. Among other things, he pointed to a precedent in the steel industry, where an early retirement law was introduced a few years ago.

Redundancies in the Fiat group will affect 2,227 workers at FiatGeotech, the tractors and earth moving equipment manufacturer, and 570 at BPD Difesa e Spazio – part of the Snia BPD subsidiary.

FiatGeotech has told the unions that European demand for its products is continuing to fall and should be lower by 5 per cent for tractors next year and by 10 per cent for earth moving machines.

The company, which employed 13,000 workers at the end of last year – has already stopped production at a plant in Spain and is cutting 700 jobs in the US and France.

The cuts at BPD, which employs 2,022 people, will affect plants in Rome and nearby Frosinone.

The company blames the move on fast falling demand for defence equipment following "the profound changes in the international situation with the recent evolution in east-west relations".

Vittorio Cassoni: reshaping Olivetti to tackle computer downturn

'The directors regret to announce…'

UK companies are at last starting to hold back on dividends. **David Owen** reports

For months, UK companies have been throwing money at their shareholders, steadfastly raising dividends in spite of sharp drops in earnings.

This week, caution dawned. Tuesday's batch of corporate results contained some gloomy portents for dividends.

For the first time in at least five years, the General Electric Company (GEC) and Trafalgar House – both FT-SE 100 stocks – felt unable to increase their interim and final dividends respectively.

Norcros, the building materials and packaging group, slashed its interim payment by 30 per cent to 3.5p, joining a club of dividend-cutters that includes Barratt Developments, Next and Burton Group.

The outlook is poor for payouts due to be announced during the March reporting season. "We would not go so far as to say we will see dividends cut across the board, but we will see far more payments held and in some cases cut," says Richard Kersley, an analyst with Barclays de Zoete Wedd. "I would approach the March results season with a tremendous amount of trepidation," says Stephen Carr of SG Warburg Securities.

Measured by traditional yardsticks, the pressure on dividends has been apparent for some time:

- Dividend cover for UK quoted companies has slipped from 2.8 times in 1988 to between 2.3 and 2.4 times at present, below the long-term average.
- Dividend yields have risen from below 4.5 per cent to approximately 6 per cent during the course of this year. Shares that have crossed the 11 per cent threshold at which, according to one analyst, "you change from being a high-yielder to a possible cut" include Standard Chartered, Midland, Maxwell Communications, Bunzl, Speyhawk and Trafalgar House.
- Dividend payments are gobbling up a larger slice of cash flow. According to James Capel, the stockbrokers, UK industrial companies will this year distribute 13 per cent of cash flow in dividends, up from 10 per cent in each of the past three years. Capel's Paul Walton believes none the less that "the majority of companies can still afford to pay." He expects companies will cut spending on fixed assets to make ends meet.
- The liquidity ratio of large UK companies fell this week to its lowest level since the 1974-75 recession. Mr Kersley of BZW says that over the past decade this indicator (the ratio of cash to short-term debt) has been a reliable guide to dividend growth 18 months ahead.

Such signals have been flashing amber for months – and in July, ICI reinforced them by failing to raise its interim dividend. At first, there was little response from other companies.

Now, though, some of the pressures that have led boards to keep payout ratios high are lessening. For one thing, the fear of hostile takeovers has diminished. The retreat of the predators has largely removed one argument for keeping shareholders sweet. Months after the torrent of bids slowed to a trickle, threatened companies feel able to act on the assumption that their independence is now more secure.

The worsening outlook for the economy is also altering corporate thinking, particularly in the more cyclical sectors such as capital goods.

"Six months ago the consensus view in the boardroom was that there would be a short sharp V-shaped economic downturn," says Warburg's Mr Carr. "In those circumstances it is sensible for cyclicals to run down dividend cover to smooth out the earnings cycle."

"The risk is now," he says, "that the slowdown will drag on into 1991. That gives an entirely different perspective."

Not everyone agrees. Trafalgar House this week decided to maintain its final payment, at the cost of £25m ($48.2m) from reserves, partly because it did not want, in its words, to be "thrown off course" by a "temporary" UK and US recession.

Another lessening pressure is the fear of a damaging market reaction to a dividend disappointment – a fear reinforced, in September, by the drop in BTR's share price after it raised its dividend by no more than earnings. Enough companies are now biting the bullet for boards to find safety in numbers.

Though these pressures have eased, enough remain to ensure that reduced or maintained dividends will not prove universal. Several other factors will help.

Changes in the UK market, with the privatisation of secure-yielding utilities, will ensure some overall growth in dividends even if there is a drop in corporate earnings.

Companies' desire to ease the strain on their creaking balance sheets with rights issues will also be a factor.

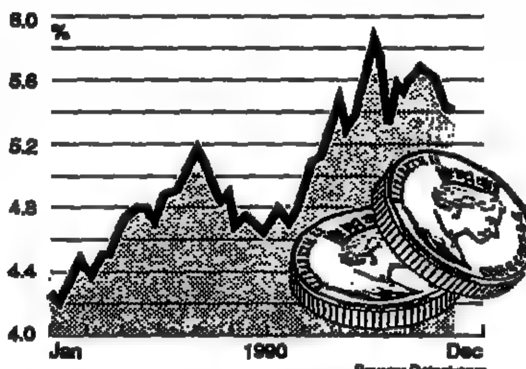
Finance directors bent on currying support for a future equity injection will not wish to undermine these efforts by eroding shareholders' present income stream. (But nor will they wish to borrow at 14 per cent to maintain it artificially.)

And a third factor is the high degree of institutional ownership of UK equities. As Mike Howell of Salomon Brothers puts it: "The UK market is highly institutionalised – and institutions demand dividends."

The institutions themselves, generally speaking, say they will tolerate a dividend cut if management convinces them it is for the company's long-term good.

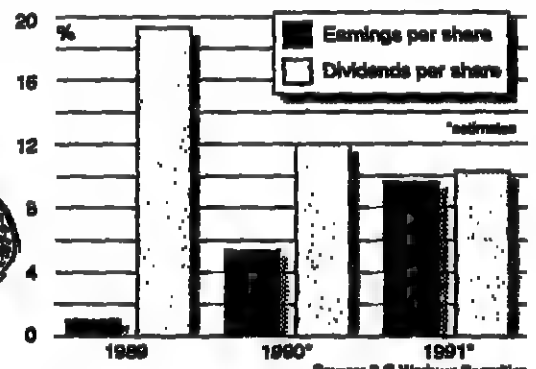
That may require some effort. One institutional shareholder says: "Failure to increase dividends in line with expectations is fairly disastrous, so it would involve a major communications exercise. It is not just the Pru and Legal & General that need to be told."

FT-A All-Share dividend yield



Source: Datastream

Earnings & dividend growth



Source: S.G.Warburg Securities

Veba to invest DM8bn in the east

By David Marsh in Bonn

VEBA, the German energy and chemicals group, plans to spend DM8bn ($5.3bn) in east Germany over the next five years, boosting its total capital spending during this period to DM30bn.

The investment total, approved by the group's supervisory board, represents a hefty increase compared with Veba's pre-unification investment plan which was fixed last year at DM23.5bn over five years.

The company said that 45 per cent of the investment total would be steered towards the electricity sector, compared with 35 per cent in the previous plan. Chemicals would absorb 26 per cent of the capital spending total, oil would account for 15 per cent, trade and services 10 per cent and the company's housing activities 4 per cent.

A large part of its DM14bn spending on electricity will be geared towards east Germany, focused on building up the business there of Veba's generating subsidiary Preussenelektra. Also included in this spending is extra activity in waste disposal and environmental technology.

In addition, DM1bn of extra spending in east Germany is planned for the chemicals sector. In the east German oil sector, Veba said it proposed taking a stake with other partners in the Schwedt refinery to supply a planned network of Aral petrol stations east of the Elbe.

Eurotunnel issue meets with surprise wave of enthusiasm

By Andrew Hill

EUROTUNNEL yesterday defied Channel tunnel sceptics when it revealed that 84.3 per cent of the new units offered to registered shareholders in its £530m rights issue had been taken up.

About two-thirds of subscriptions for new shares are thought to have come from existing shareholders and the level of enthusiasm for the issue surprised even the group's advisers. Eurotunnel units rose 22p in London yesterday to close at 365p.

The company, which achieved the historic breakthrough of the British and French ends of the service tunnel on Saturday, was able to place the unsold shares with investors at yesterday morning's market price – a 21 per cent premium to the subscription price of 285p. None of the issue was left in the hands of the underwriters.

However, the group will have to wait another 10 days or so before it can declare the rights issue a complete success, because more than half the new units have been offered to bearer shareholders, most of whom are based in France.

Alastair Morton: issue success

The result of the bearer rights issue should be announced "on or about December 14", according to Eurotunnel's advisers, who are expecting an equally strong response.

After expenses, Eurotunnel's advisers managed to raise about 59.3p above the subscription price for each unsold new unit – or 35.6p per subscription right – which will be distributed to registered unitholders who did not exercise all their subscription rights.

Mr Graham Corbett, finance director, said: "We are absolutely delighted: we think it's an extraordinary level of take-up and a tremendous vote of confidence in the project."

Mr Alastair Morton, Eurotunnel's chief executive, launched the issue at the beginning of last month, after a 15-month struggle to raise £2.6bn of additional finance for the project. During the month-long subscription period the share price fell sharply and at one point the value of an investment in the project dipped briefly below the original offer price for the first time in more than 18 months.

Lex Page 22

Stora in talks to sell FeNo units

By John Burton in Stockholm

STORA, Europe's largest pulp and paper concern, is discussing the disposal of the non-forestry operations of Feldmühle Nobel (FeNo), the German concern it acquired in May for SKr14.5bn ($2.57bn), with several interested buyers.

The company said yesterday that talks were focusing on the sale of Buderus, which makes building materials, heating and kitchen equipment and stainless steel products, Dynamit Nobel, which produces explosives and plastic mouldings, and the technical products division of Feldmühle, the forestry division.

Analysts believe the purchase price for the units, which are being combined into a new business group, could reach between SKr5bn and SKr6bn.

The sale of the FeNo units has been widely expected as a way to finance Stora's acquisition of FeNo at a time of declining profits in the forestry industry.

Stora has already put up for sale most of its Swedish Match operations, which it acquired in 1988, to help finance the FeNo deal after its acquisition partner, the investment company Patricia, had to pull out due to mounting debt. It recently sold the Finess tissue division and is seeking buyers for Stora Kitchen and the Tarkett flooring business.

During the first eight months of 1990, group borrowings increased from SKr12bn to SKr30bn largely as a result of the FeNo purchase.

Buderus and Dynamit Nobel account for almost half of FeNo's revenues, which amounted to DM4.56bn during the first half of 1990.

Profits at Buderus and Dynamit increased during the period, although FeNo's total pre-tax earnings fell by 7 per cent to DM174m due to costs associated with the inauguration of a new light-coated paper machine at Feldmühle's facility in Corbehem, France.

Stora hopes to sell the FeNo units as a single business group, reflecting the wishes of the German authorities. It would prefer to find a German buyer.

Bass lifts profits 15% but warns of tough trading

By Philip Rawstorne

BASS, the UK's leading brewer, yesterday reported a 15 per cent increase in 1989-90 pre-tax profits to £535m ($1bn) from £465m,but added a warning that trading conditions were getting much tougher.

Mr Ian Prosser, chairman, said most of the group's business areas had experienced difficult trading since September. Unless there was a swift change he expected the adverse climate to prevail for most of 1991.

Though Bass's full-year results were in line with market expectations, there were signs of the growing effects of the recession on its beer and restaurants business. Beer sales from its breweries to its own pub estate were down 4.5 per cent, and turnover on pub retailing, at £1.1bn, was only 3.7 per cent higher.

Bass also reported that it would cost the company £108m to comply with the Department of Trade and Industry's orders forcing it to dispose of 2,680 pubs during the next two years.

The sum represents half of the profit Bass made this year from the sale of its Crest hotel chain to Trusthouse Forte.

The £108m extraordinary provision on the balance sheet would cover compensation payments to displaced tenants, professional fees, and other reorganisation costs.

Lex, Page 16
Details, Page 24.

Saatchi losses climb to £98m

By Alice Rawsthorn

SAATCHI & SAATCHI, the UK advertising group which is urgently trying to restructure its finances, yesterday announced an increase in overall losses from £58.5m ($111.1m) to £98.2m for the year to September 30.

As expected, Saatchi did not declare a dividend. The group, which is burdened by heavy debts and struggling against the slump in the international advertising industry, saw profits before tax and exceptional items decline from £61.3m to £35.8m.

The losses on the sale of Saatchi's management consultancies and a property write-down contributed to an extraordinary charge of £76.9m, against £22.0m. Before extraordinary items, the loss per share fell from 23.1p to 15.3p.

Mr Robert Louis-Dreyfus, who joined Saatchi as chief executive in January to rescue the group from its financial problems, said after the write-downs Saatchi had been left with a "clean but weak" balance sheet.

The revenue from Saatchi's core communications division rose to £787.9m compared with £725.m, but trading profits fell to £63.1m, against £69.5m, reflecting the competitive condition of the advertising markets in the US, UK and Australasia.

Saatchi has now sold all but two of its management consultancies and revenue from this division fell to £20.2m (£248.5m).

The group made profits of £6.3m from art sales but reorganisation costs of £6.5m produced an exceptional debit of £200,000 (£39.5m).

Mr Louis-Dreyfus said Saatchi could now concentrate on its core communications business. But, he said, the global advertising market was still tough and the outlook for the current year was uncertain.

Pirelli 'will fall to break-even'

By Ronald van de Krol in Amsterdam

PIRELLI Tyre Holding (PTH), the Dutch-registered holding company for the tyre activities of Italy's Pirelli group, said yesterday that full-year net results will fall to break-even from a net profit of Fl206m ($122m) in 1989.

The company, the world's fifth largest tyre maker, said second-half results were expected to show a further deterioration from the first half, when net profit plunged to Fl40m from Fl103m a year earlier.

It blamed the downturn on the continued difficulties of the world tyre market and noted that some of its competitors have already warned of significant 1990 losses.

Pirelli of Italy is currently trying to initiate a merger between PTH and Continental of Germany, the fourth largest tyre manufacturer in the world.

The Amsterdam-based holding company said turnover for the first three quarters fell 4 per cent to Fl4.75bn. In dollar terms, however, turnover showed a 9 per cent increase.

Volume sales were up slightly in Europe, thanks mostly to relatively favourable demand on the German market. Volume in other parts of Europe was generally stagnant, while sales fell in North America and South America.

PTH said it was encouraged by recent announcements of price rises averaging 3 per cent on the European and North American replacement-tyre markets. However, the rises will not begin to take full effect until 1991 and will not in themselves be enough to compensate entirely for narrower margins, though additional rounds of price rises may follow.

"Selling price improvements, together with progressive effects of the incisive cost reduction actions under way, should allow a change for the better in 1991," it said.

● Pirelli SPA, the Italian holding company which groups together the Pirelli cables businesses and has a 65 per cent shareholding in PTH, reports sales little changed for the first 10 months of 1990.

Packaging bid made by Smurfit and Perrier

By George Graham in Paris

EXOR, the controlling shareholder of Source Perrier, the mineral water company, has teamed up with Ireland's Jefferson Smurfit to bid for three packaging cardboard units of Georgia Pacific, the leading US wood and paper group.

Perrier is the main customer of the Laurent-Espaly and Etienne cardboard units, accounting for around a quarter of their combined sales, which are expected to reach some FFr950m ($189m) this year.

It is also already a 50 per cent shareholder alongside Georgia Pacific in the Etienne plant.

Exor officials said Perrier had wanted to team up with a recognised paper industry professional, but noted that the mineral water company is already active in the packaging sector and makes its own bottles.

The Smurfit-Perrier partnership is believed to be the front-runner in the bidding for the three plants, which were put up for sale this autumn as Georgia Pacific sought to reduce its debt after paying $3.6bn to take over Great Northern Nekoosa, its US competitor.

However, a bidder from outside the European Community is also understood to be in the running in a tender conducted by Dillon Reade, the US investment bank.

Finnish insurer to be flexible

FINLAND'S Pohjola insurance group is considering a plan to achieve a more flexible role in investment, financing and insurance operations, Reuter reports. This could avoid problems posed by ownership limitations on insurance companies, the company said.

Under the plan, the Vakuutusosakeyhtio Pohjola company would cover investment and financing, while insurance would be transferred to subsidiaries.

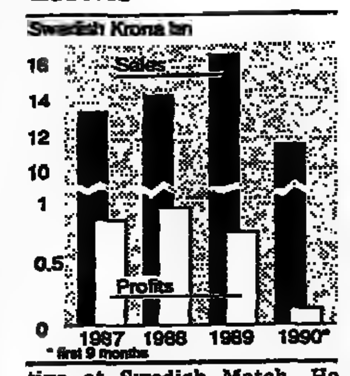
After the storm, the struggle

Robert Taylor finds Esselte's chief executive confident of success

MR Hans Larsson, Esselte's chief executive and managing director is having a hard time trying to convince worried customers and suppliers that the company, one of the world's largest office equipment suppliers, has a future.

"They ask me whether we will be around a year from now and I tell them we have been around for decades. It is business as usual. We have a profits squeeze but we are not suffering fundamental problem."

Esselte



The question mark over Esselte has come from the bankruptcy of its main shareholder Mobilia, the Swedish investment company. But as Mr Larsson asserts: "The crisis is with Mobilia and not with Esselte". Mobilia joined other Esselte shareholders, Ratos, the investment company, and Gamlestaden the financial company to make an unsuccessful leveraged bid to buy all the company's shares with the clear intention of breaking up Esselte.

The management would now like to see the arrival of a stable majority shareholder in Esselte, one who has a clear view of its prospects, wants to see it develop, and does not wish to use Esselte to solve problems it might have elsewhere.

Management resistance to Mobilia's hostile bid speeded up the change in Esselte strategy planned by Mr Larsson when he arrived at the company from being chief executive at Swedish Match. He wanted to divest Esselte's extensive media operations in video and pay-TV, printing and publishing and concentrate its activities on office products and services.

"The presence of two such different business areas in one group resulted in unavoidable conflicts of interest," said Mr Larsson. "We could not go on in so many business areas either financially or from a management point of view."

Esselte's board agreed and gave the go-ahead in May. Since then the company has been selling its non-office products operations. So far, its divestment programme has provided capital gains, after tax, of around SKr2.8bn ($503m).

The printing and publishing business has now gone, as has property and there is only Filmnet and video operations left. Mr Larsson hopes to find a buyer soon, possibly a consortium made up of Warner, the French-owned Canal Plus and the Swedish Bonnier group.

Hans Larsson: Business as usual despite a profits squeeze

"Now we can focus on our office products business. In the short term we are rationalising and restructuring the company's business areas, while in the longer term we intend to expand through acquisitions and new product developments in our core area."

But the concentration by Esselte on office services is not going to produce instant success. On the contrary, the company has suffered a marked decline in many of its key business markets. Two weeks ago it reported a sharp fall in its profits (after financial items) to SKr104m for the first nine months of the year, compared with SKr361m for the same period of 1989 Nor does the outlook appear promising. This year 1,500 jobs are going from apayroll of 20,000, and further cutbacks are expected.

The company's Pendaflex operation in the US is suffering from a fall in sales and income in part due to recession in the North American market but also to changes in its structure and a collapse in prices. "We are seeing a move away from traditional wholesaling and stationery store sales to superstores and cash and carry", explains Mr Larsson.

The company's ring-binder mechanisms arm is also suffering from tough market conditions in North America and Britain and it continues to have troubles in its systems division with the sale of office supplies and computer equipment in the depressed Nordic area. Esselte's picture frame production continues to prosper, but it has been hit by the volume decline in its graphic design activities.

But Mr Larsson is confident the company can grow in its Dymo business area with the sale of computer accessories and supplies and upgraded consumer packaging and point of sales printed materials. He envisages Esselte growing as a "sales and marketing machine" in a "broad product range" in office supplies. The company must be "more aggressive".

"We have no further large steps to take but a number of small ones".

Procordia turns to Pru-Bache

By Robert Taylor in Stockholm

PROCORDIA, the Swedish consumer and health care group, has hired the American investment bank Prudential-Bache to help it find new strategic partners to assist with the growth and development of its hotels and restaurant business.

Procordia said yesterday that this would provide the best opportunities for a positive expansion. Mr Klas Rasster, the company's information director, said it had not any firm proposals at this stage on the future of its hotels and restaurant activities.

Prudential-Bache is expected to report back to the company in the first half of next year, when Procordia will decide the future of its hotels and restaurant business.

Procordia says it wants to concentrate on its core business areas, pharmaceuticals, food and biotechnology. The hotels and restaurant business has been a problem area for the company.

In 1989, the SARA hotel business in Procordia had a turnover of SKr1.38bn ($248m), but it has become a heavy drain on the group with an operating income of only SKr6m last year and a 1.6 per cent return on capital employed. Around 85 per cent of hotel turnover is estimated to derive from business and conference clients.

Since 1989, Procordia has sought to consolidate its hotel business and concentrate on the Nordic region with the priority of achieving an "acceptable level of profitability".

By contrast, the company's restaurant business, made up primarily of Clock hamburger outlets and Pizza Huts in Sweden, is going through a period of expansion.

Restaurant turnover last year rose by 20 per cent to SKr346m and there was a satisfactory improvement in operating profit to SKr10m from SKr4m.

NMB, Nat-Ned keep to plans

NMB Postbank Groep and insurer Nationale-Nederlanden have no intention of changing the terms of their proposed merger, despite objections from big shareholders, Reuter reports from Amsterdam.

In a joint statement, the companies said they expect to reach a decision on making a public share exchange offer by the end of January.

Nat Ned, the biggest Dutch insurer, and NMB, the third largest Dutch bank, announced a merger on November 5. A group of leading shareholders has repeatedly complained that the proposed terms undervalue its shares.

Barclays Bank wins ruling on California tax

By Richard Waters in London

CALIFORNIA'S system for taxing the operations of foreign companies took a dent earlier this week when it was declared unconstitutional by the state's appeal court.

The judgment could cost the state $303m in refunds to foreign companies, although California's Franchise Tax Board can appeal to the state and federal supreme courts.

It could also be forced to write off a further $223m of disputed taxes it has so far been unable to collect.

The case, brought by Barclays Bank, concerns California's unitary tax regime, which has been under attack by foreign companies for over a decade.

Under this, companies operating in the state are taxed on a proportion of their worldwide payroll, sales and property rather than their locally-earned income.

Barclays is the first case to succeed before the appeal court. It won an earlier round before the superior court three years ago. The bank argued that the tax was unconstitutional, since the so-called "worldwide combined reporting" regime it imposes on companies interferes with the federal government's exclusive right to conduct foreign policy.

Barclays' case has been supported by the UK and Canadian governments and has been watched carefully by other foreign companies active in California.

California's Franchise Tax Board is expected to appeal against the decision.

The state of California amended its unitary tax system four years ago to allow companies to opt out of the system on payment of an election fee and subject to stringent regulations.

Mr David Elvidge, Barclay's tax director, said: "We've now had two very strong judgments in our favour. I would be very surprised if we now had a judgment against us." The judgment was widely welcomed in the UK, where companies for a long time led the fight against unitary tax, which is also levied by several other US states.

"It's a significant decision," said Mr Peter Welch, chairman of the Unitary Tax Campaign, a business-funded lobby group.

Louise Kehoe in San Francisco adds: The major concern in California is that if foreign companies are no longer forced to pay unitary tax, domestic companies will also demand that the tax be withdrawn. That could cost the state as much as $3.3bn in back taxes and an estimated $110m per year in the future.

CBS seeks refund on $1bn sport contract

By Alan Friedman in New York

CBS, the US media group that is forecasting a fourth-quarter loss because of the economic crisis facing US network television, is seeking a partial refund of its $1.06bn contract to broadcast major league baseball games.

CBS has already lost around $100m on baseball this year, and is believed by industry analysts to have overpaid for its four-year contract. It is not known how much of a refund CBS is seeking.

The company yesterday would say only that its senior management has begun talks with the commissioner of major league baseball "regarding our current contract".

Any request by CBS for a partial refund would be highly unusual because there is no provision for such a move in the contract.

If the baseball league were to agree to the request it would almost certainly trigger a similar move by ESPN, the sports cable network owned by Capital Cities/ABC Television.

Last month, CBS blamed its likely fourth-quarter plunge into the red on the losses from baseball and the slowdown in television advertising. CBS also said its 1991 earnings were expected to decline.

Daimler seeks a touch of financial lustre

Andrew Fisher on the German group's efforts to develop closer ties with foreign markets

DAIMLER-BENZ, the German car and truck company which has branched out into electronics, aerospace and defence, comes to the London stock market today for a listing which it hopes will give it more lustre in the world's financial markets.

Daimler's managers want to develop closer links to the foreign investment community at a time when its costly move into non-vehicle activities has caused concern among some analysts who wonder whether it has over-stretched itself and condemned profits to a period of prolonged stagnation.

When the group was simply turning out quality cars and trucks, it was easier for investors and analysts to understand. Sales could be monitored, market prospects assessed and the progress of each model closely followed.

Since the mid-1980s, that has changed. The bulk of Daimler's business will continue to come from Mercedes-Benz vehicles, which last year accounted for 70 per cent of DM76.4bn ($51bn) turnover. And analysts will be eagerly watching to see how the new S-class car is received when this top-of-the-range model is launched next year.

But an increasing part of the group's research and investment efforts will be in other directions, though some will be in related areas such as traffic management systems.

"By tradition", said Mr Edzard Reuter, the chief executive, "we have really been a German company as far as the car business is concerned." Mercedes does not make cars outside Germany, though it is considering building components, such as engines, abroad to lower costs.

On the commercial vehicle side, however, the group is by no means only a domestic producer; it has long been in South America and also owns the Freightliner truck manufacturer in the US.

Daimler is no stranger to for-

Gerhard Liener: taking steps to become a global player

eign stock exchanges. Its shares have been quoted in Zurich for 15 years. They were recently listed in Tokyo, where its share turnover is the highest of any German concern. It has plans for the European cities of Vienna, Paris, Brussels, Milan and Madrid and would like to be listed in Hong Kong and Sydney.

Daimler is also keen on a New York listing, but that will depend on the outcome of talks with the Securities and Exchange Commission (SEC). The SEC's rules hinder the quotation of German concerns, which salt away large portions of their revenues in the form of reserves and special provisions.

MR Gerhard Liener, Daimler's finance director, said of the London listing: "This is one of the steps we are taking to become, in the financial area, the global player we started to become in our industrial and service activities a few years ago."

The Mercedes star is one of the best-known of all corporate emblems, denoting quality and class. But the average investor may not have a clear perception of Daimler, now that it has moved deeper into high-technology areas.

Hence its desire to get closer to the foreign investment community. "The London financial analysts are very important for us," Mr Liener said.

"Across Europe, a lot of attention is paid to what London analysts have to say." They will, no doubt, be flattered.

What is certainly true is that several of them have been sceptical about what Daimler is up to in the non-vehicle sector, wondering about the impact on earnings over the next decade and the wisdom of the strategy.

Now the Iron Curtain has gone and peace seems assured, in Europe at least, critics have said that Daimler's move into defence, especially through the purchase of Messerschmitt-Bölkow-Blohm, was ill-judged.

Mr Reuter denies this. "Even if we had known that the political wind would turn and that we were nearing an era of disarmament very quickly, we would have still proceeded in the same direction. We never thought of buying MBB just for

Daimler is no stranger to foreign stock exchanges. Its shares have been quoted in Zurich for 15 years. They were recently listed in Tokyo, it has plans for the European cities of Vienna, Paris, Brussels, Milan and Madrid and would like to be listed in Hong Kong and Sydney.

growth in defence."

MBB was Daimler's latest acquisition after AEG (electronics), Dornier (aircraft) and MTU (engines). Mr Reuter said Daimler's interest was in the intelligent, micro-electronic-based, side of the defence business. It is keen to gain the know-how which would enable it to develop sophisticated systems for complex problems, the one closest to its corporate heart being congestion in road, rail and air transport.

The group also wants to develop its position in aerospace and be accepted as a serious partner in international projects. All this takes time and money.

Daimler's profits have lacked excitement recently, as strong earnings on the vehicle side have been offset by poorer performance in the other, still developing, activities.

In the first nine months of 1990, net profits were 4 per cent higher at DM1.3bn ($872.4m).

One area of immediate concern is the weak US currency and lower car profits in North America, though the group has benefitted from rising vehicle demand in east Germany.

"The dollar effect has been enormous," said Mr Liener. Yet since only 33 per cent of Daimler's shares are freely tradeable, the group is not under constant shareholder pressure and can take the long view.

It is certainly doing this in its talks with Mitsubishi of Japan. These have not yet produced concrete results, but Mr Reuter said co-operation was intended to be "long term and broad".

Mitsubishi will still be a competitor in automobiles, aerospace, and micro-electronics.

"But they are not our basic enemies." Its big rivals, Mercedes executives stress, are Nissan and Toyota; they are expected to cause real problems on the luxury car side in the mid-1990s.

CSFB starts to cut jobs in restructure

By Martin Dickson in New York

CS FIRST Boston, the troubled US investment bank, has cut 55 of the 600 jobs in its fixed income department.

The move is the biggest in a restructuring which it said last month could mean the loss of up to 200 jobs by the end of the year.

However, company sources indicated that the number of departures might now fall short of 200.

First Boston, in common with other investment banks, has been trimming staff all year but these are the first big cuts in the fixed income department.

They follow the resignation several weeks ago of the head of the department, Mr William Voute, and two senior colleagues.

During the past few weeks the firm has seen the departure – either voluntarily or under pressure – of an unusually large number of senior executives.

● Prudential-Bache Securities is shutting down its risk-arbitrage operations, Agencies report.

In the process, the Prudential Insurance Co. of America unit is losing its veteran arbitrage head, Mr Guy Wyser-Pratte.

Mr Wyser-Pratte, 50, perhaps the best-known arbitrager on Wall Street, notified his staff this morning that he was leaving.

He has headed Prudential-Bache's arbitrage department since February 1971.

In a recent memo, Mr George Ball, Prudential-Bache chairman and chief executive said the firm had lost money on risk arbitrage this year.

Prudential-Bache recently sharply pared its investment-banking staff, dismissing about 120 of its 180 investment bankers.

Strong international sales boost Seagram profits

By Robert Gibbens in Montreal

THE performance of Seagram's distilling, wines and soft drinks business in the third quarter were boosted by strong international sales growth and currency gains.

The Canadian-controlled drinks group's operating income was lifted to US$190m from $165m, while sales advanced to $1.48bn, up 9 per cent from $1.36bn a year earlier.

Including higher dividends from Du Pont, the US chemical company, the group took the quarter's net profit to US$189m, or $2.01 a share, up 11 per cent on the $170m, or $1.77, a year ago.

In the first nine months, Seagram, which includes Martell, the cognac producer, and Tropicana Products, saw sales from the drinks business advance to $4.19bn from $3.89m a year earlier. Its operating earnings increased 16 per cent to $499m from $430m.

Final net profit, including the Du Pont contributions, was $581m, or $6.16 a share, against $565m, or $5.84, an increase of almost 3 per cent.

Reuters looks for 10% growth

By Nikki Tait in New York

REUTERS Holdings, the financial information and news company, said it would be "reasonably satisfied" if it achieved double-digit growth in profits next year.

Mr Glen Renfrew, managing director, also told a meeting of analysts in New York on Tuesday that the company hoped for better results in 1992.

The 1991 prediction was made against "a background of difficult market conditions in which cancellations of rental product remain heavy," the company commented.

Reuters has already said profits this year would be around £320m ($630m), compared with £283.1m in 1989.

When it made this forecast at the end of October, it announced it was axing 300 jobs (denting the pre-tax figure by £10m) It also said that it was postponing the launch of its automated foreign exchange trading system, Dealing 2000.

Mr Renfrew stressed the company was not budgeting for any significant revenues next year from Dealing 2000 or Globex, the automated trading project for futures markets which Reuters is developing in conjunction with the Chicago Board of Trade.

● Champion International, the US paper producer, expects fourth-quarter earnings to be down sharply from the third quarter's 59 cents per share and well below earlier expectations, Reuter reports.

It said the quarter's results will be hurt significantly by higher taxes related to cash accumulated for an expansion at its Brazilian subsidiary that has been postponed indefinitely.

Consequently, it said the unit has started to reduce cash holdings through dividend payments to the parent company, which incur a related tax.

INTERNATIONAL COMPANIES AND FINANCE

BNZ holders may avoid rescue package payment

By Terry Hall in Wellington

THE BANK of New Zealand's main shareholders – Fay Richwhite, the New Zealand merchant bank, and the New Zealand government – may avoid contributing additional capital of NZ$250m (US$153.3m) as part of a rescue package, because of special conditions surrounding the previously-announced deal.

Last month, the government agreed to a total injection of NZ$620m, including extra capital, due to serious loan problems facing BNZ, especially in its Australian loan portfolio.

Notice of a special shareholders' meeting called to agree an increase in capital, released yesterday, showed that the main condition governing the government's agreement to subscribe additional capital was that the average price of the bank's shares did not drop below 50 cents on seven of the 10 days before the subscription date for the meeting on December 20. BNZ shares dropped to 50 cents yesterday.

The notice also said the main shareholders could withdraw from the deal if there was any change making BNZ's forecast materially inaccurate.

Fay Richwhite and the government are due to subscribe NZ$140m in ordinary shares at 70 cents a share and NZ$110m of preference shares at 84 cents a share. These were realistic prices before the latest slide in the share market, worsened by news of problems surrounding the BNZ and word that it had NZ$2.83bn of doubtful and under-performing debts.

An independent report, by Buttle Wilson, the New Zealand brokerage house, said that if the government and Fay Richwhite declined to subscribe to the new capital they would have to try to agree an alternative method of raising the capital.

"Given the volatile nature of present share markets, substantial changes could occur in the circumstances of the bank before the subscription date," it said.

It added that the terms of the agreement with the government and Fay Richwhite seemed fair to minorities on the arrangements as they stood at November 5, the date of the announcement of the deal.

Yesterday, in its interim report, BNZ forecast a bottom line loss of between NZ$60m and NZ$75m for the current year to March 31.

The bank, which is being restructured by transfering its bad debts to a newly-formed company and increasing its capital, forecast net profits of between NZ$115m and NZ$130m for the year. One-off costs associated with the restructuring are expected to result in extraordinary losses of NZ$190m and take the bottom line into the red. For 1991/92, BNZ forecasts no extraordinary items and a return to net profits of between NZ$160m and NZ$190m. In its last financial year, the bank reported profits of NZ$123.7m – recovering from a NZ$646m loss in 1988-89 – and in the latest half year the profit was NZ$55.3m.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume and retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s).

	Indl. prod.	Mfg. output	Eng. order*	Retail vol.	Retail value*	Unemployed	Vacs.
1989							
2nd qtr.	109.5	119.4	33.5	121.7	132.4	[illegible]	222.4
3rd qtr.	110.6	119.4	34.1	121.6	[illegible]	1,740	[illegible]
4th qtr.	110.4	[illegible]	33.4	122.4	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	35.3	122.5	134.3	[illegible]	[illegible]
October	110.6	[illegible]	34.3	[illegible]	[illegible]	1,670	213.1
November	[illegible]	[illegible]	34.2	121.7	[illegible]	[illegible]	[illegible]
December	[illegible]	119.5	33.6	[illegible]	[illegible]	[illegible]	197.9
1990							
1st qtr.	[illegible]	[illegible]	34.2	125.1	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,612	[illegible]
3rd qtr.	[illegible]	118.7	35.4	[illegible]	144.6	[illegible]	[illegible]
January	[illegible]	119.6	34.5	122.2	[illegible]	[illegible]	202.7
February	[illegible]	[illegible]	[illegible]	124.4	[illegible]	[illegible]	[illegible]
March	111.3	121.1	34.2	[illegible]	[illegible]	[illegible]	[illegible]
April	112.3	[illegible]	35.3	[illegible]	140.0	[illegible]	[illegible]
May	[illegible]	127.2	[illegible]	124.5	[illegible]	[illegible]	[illegible]
June	112.5	[illegible]	[illegible]	[illegible]	141.3	[illegible]	[illegible]
July	[illegible]	[illegible]	35.1	[illegible]	[illegible]	[illegible]	172.4
August	[illegible]	[illegible]	[illegible]	[illegible]	143.4	[illegible]	[illegible]
September	[illegible]	117.5	[illegible]	122.7	[illegible]	[illegible]	[illegible]
October				121.5	[illegible]	[illegible]	[illegible]

OUTPUT- By market sector, consumer goods, investment goods, intermediate goods (materials and fuels), engineering output, metal manufacture, textiles, clothing and footwear (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textiles etc.	Housg. starts*
1989							
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	114.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	114.7	121.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	122.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
November	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
December	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1990	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance (£m); current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserves US$bn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL- Money supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit; Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow £m	Cnsmer. credit £m	Base rate %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INFLATION- Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 18th 1931=100); trade weighted value of sterling (1985=100).

	Earnings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters commdty.	Sterling*
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

NEWS IN BRIEF

Net profits slide 14% at J Hardie

JAMES HARDIE Industries, an Australian building products company, yesterday reported that net profits fell 14.4 per cent to A$38.4m (US$29.5m) in its first half to the end-September from A$44.9m a year earlier, AP-DJ reports from Sydney.

Mr David Say, managing director, said the lower profit reflected a sharp fall in the building and construction activity in Australia and the US and unfavourable trading conditions in New Zealand.

Earnings per share dipped to 11.5 cents from 13.9 cents and dividend for the six months is cut to 8 cents from 10 cents.

The directors said, however, that after adjusting for a bonus share issue, the dividend a year ago was equivalent to 8.9 cents. Pre-tax profits fell 18.2 per cent to A$46.6m from A$56.9m.

■ Harbour Centre Development, the property and hotel arm of Sir Y.K. Pao's Wharf Group, yesterday posted a 24 per cent fall in after-tax profits to HK$78m (US$10m) in the first half to September 30, compared with HK$102m a year earlier.

Earnings per share also fell 24 per cent to 37 cents from 48.7 cents, while turnover dipped 7 per cent to HK$415m from HK$444m.

The directors recommended an unchanged interim dividend of 13 cents a share.

■ Elders IXL, the Australian brewing group, said that all trading in its shares on the Australian Stock Exchange would, from tomorrow, be under the name Foster's Brewing Group, Reuter reports from Melbourne.

Shareholders of Elders approved the change of name at last week's annual meeting.

■ The Singapore high court has appointed external managers to run the locally-listed Electro-Magnetic Singapore at the company's request, Reuter reports from Singapore.

The managers from Coopers and Lybrand, the accountancy firm, must submit a proposal to restructure the financially troubled video cassette maker within 180 days.

■ Fletcher Challenge, the New Zealand resources group, is to combine its building materials offshoot with its construction and property unit to form an integrated building industries group, effective January 1, 1991, Reuter reports from Wellington.

Mr Hugh Fletcher, chief executive, said the new group recognised the relationship between the business in the building materials chain and Fletcher Challenges's desire to continue to build an international presence in a number of products within the building industries.

Auditors qualify Bell group accounts on going concern basis

By Kevin Brown in Sydney

BELL Group, a 74.4 per cent subsidiary of Bond Corporation, has a deficiency of assets over liabilities of A$449m. (US$350.7m) according to the annual report published yesterday.

The report shows accumulated losses of A$944m, after taking account of an operating loss of A$672m for the 15 months to October 5, announced earlier this week.

Coopers and Lybrand, the firm of auditors, said the accumulated losses and the deficiency in shareholders' funds "raise doubt that the group will be able to continue as a going concern."

Bell Group, a publishing and investment arm of the Bond group, is negotiating a debt restructuring package with its creditors under the supervision of Lloyds Corporate Advisory Services, a merchant bank.

Holders of the company's convertible bonds agreed to waive defaults and defer interest payments for six months until December 10. Bondholders met in London yesterday to consider a further deferral.

Bell Group's principal remaining asset is The West Australian, a profitable Perth-based newspaper which is for sale as part of the restructuring proposals. Potential buyers include Mr Robert Maxwell, the UK newspaper proprietor, and Heytesbury Holdings, the private company controlled by Mrs Janet Holmes à Court.

Value of Tower property and share investments falls

By Terry Hall

TOWER Corporation, the New Zealand life assurance and financial services group formerly known as Government Life, recorded a NZ$223.35m (US$137m) fall in the value of its investments in the year to September 30, according to yesterday's annual report.

The decline was due to falling values in its property and share investments. Last year the company, which had been a government department, showed unrealised gains of NZ$77.11m.

Net premium income was virtually static at NZ$143.7m against NZ$141.36 in the previous year. Total net income was NZ$196.99m compared with NZ$463.82m. The company had an operating deficit of NZ$278.54m against an NZ$87.13m pre-tax surplus last year. The latest result will lead to a drop in policyholders' funds of NZ$273.59m, against a rise of NZ$24.82m.

Bonus payments will be cut by about 25 per cent this year, with payments to policyholders totalling NZ$38m against NZ$52.9m last year.

Mr James Boonzaier, managing director, said that while the result was disappointing in terms of Tower's past record, its performance in individual sectors during an extremely difficult year was still better than the overall market.

However, as with other financial institutions, the recessionary conditions and lack of confidence in the market, as well as the Middle East crisis had taken a toll on the company's investments.

He said the company had increased premium income to NZ$110m from NZ$93m and increased market share of new premium income to 10 per cent, a 50 per cent market share improvement in three years. A change in accounting policy meant all investments were now shown at market rates rather than book value.

SKF in Malaysian venture

By Lim Siong Hoon in Kuala Lumpur

SKF, the Swedish bearings and precision engineering group, is spending M$400m ($150m) on a Malaysian plant to challenge the Japanese dominance of the Asia-Pacific bearings market.

The plant, due to begin commercial production in 1992, is the group's first in a region where SKF Bearing is weak in the original equipment market but strong in the components replacement segment.

SKF's regional bearing supplies are now drawn from its European plants, though it also manufactures in India. Its Singapore unit produces only textile machinery components.

The entire Malaysian output, about 3,000 tonnes a year initially, will be transported to its Singapore warehousing centre before distribution to south east Asia, Australia and New Zealand.

Though annual Asian-Pacific industrial production grows at near double digits, the market's bearing demand is slower, at 5 per cent, but still greater than in Europe and America.

Bearing companies in Japan, supported by the strong regional sales of Japanese cars, have the advantage in the original equipment market, with low pricing and early delivery.

SKF hopes to break fresh ground in that market by moving closer to the regional industrial centres with a complete and bulk assortment of products and services.

INTERNATIONAL CAPITAL MARKETS

German bonds perk up as Bundesbank injects funds

By Stephen Fidler in London and Patrick Harverson in New York

GERMAN government bonds opened weaker yesterday, but strengthened amid better than expected demand for a new issue and following central bank action considered reasonably accommodative in the bond market.

Bond traders said that in its money market operations yesterday, the Bundesbank had injected funds sufficient to offset the liquidity draining out of the market. Moreover, it did this at interest rates lower than many had expected – one-month operations, for example, were conducted at 8½ per cent.

After selling DM3bn of new 8¾ per cent 10-year bonds through the banking consortium on Tuesday, the Bundesbank managed to sell DM2.82bn of bonds through auction yesterday. This was higher than many of the pessimistic expectations, although the better result was partly due to technical factors related to the costs of carrying the new bonds against the futures contracts.

The bonds were allocated at prices between 99.85 and 99.90, with the average at 99.88. By the close, they were quoted at 100.00/05. In general, government bonds were up to 20 pfennigs higher on the day.

There was also support from traders who follow charts. They said yesterday that German bonds may now be entering an uptrend.

A fall in oil prices partly offset the nervousness generated by comments from US secretary of state, Mr James Baker, who appeared pessimistic on the ability of sanctions to force Iraq out of Kuwait.

Trading on the London International Financial Futures Exchange, where the December contract became deliverable yesterday, continued to outstrip that of the Frankfurt Deutsche Terminbörse, yesterday by a factor of 20.

■ US government bond prices traded in a narrow range during the morning as dealers and investors recovered from Tuesday's last session, when a report that Iraq was willing to strike a deal over withdrawal from Kuwait had prompted a rush of late buying.

At midday the benchmark 30-year Treasury issue was down $\frac{1}{32}$ at 104⅛, to yield 8.331 per cent, while the two-year bond remained unmoved at 99¾, yielding 7.443 per cent. The reports that Iraq was, for the first time, talking of leaving Kuwait proved unsubstantiated, but it emphasised again how the financial markets remain hostages to the Gulf crisis.

Yesterday all eyes were on the testimony of Secretary of State James Baker before congressional hearings on Capitol Hill.

Over the next two days the market should consolidate the gains of recent weeks, with investors staying on the sidelines until Friday's unemployment claims data. Bond analysts are predicting that if the jobs figures are as gloomy as expected, a move by the Federal Reserve to push interest rates down may come before Christmas.

The Federal funds rate edged slightly lower to $7\frac{1}{16}$ per cent in the absence of any money market operations by the Fed.

■ UK government bond prices showed minor gains of up to ⅛ point at the long end, with little new to excite activity. Mr Norman Lamont, the chancellor, ruled out interest-rate cuts until it was safe to do so but his statement was not regarded as adding much to market knowledge.

■ The French government bond market also held up pretty well, despite being assailed by a weak franc and high money market rates. An auction of FFr5bn-7bn in government paper is due today.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		12.500	09/92	103-16	-02/32	11.22	11.28	11.46
		9.000	03/00	90-11	+03/32	10.66	10.85	11.26
		9.000	10/08	89-08	+09/32	10.32	10.59	10.98
US TREASURY *		8.500	11/00	102-02	-05/32	8.19	8.29	8.64
		8.750	08/20	104-12	-06/32	8.35	8.44	8.88
JAPAN	No 119	4.800	06/99	86.8895	+0.140	7.29	7.43	7.86
	No 129	6.400	03/00	96.6217	+0.082	7.00	7.18	7.36
GERMANY		8.000	10/00	100.8000	+0.000	8.87	8.85	9.00
FRANCE	BTAN	9.000	11/95	95.6508	-0.108	10.15	10.12	10.20
	OAT	8.500	03/00	90.9300	-0.080	10.08	10.09	10.29
CANADA *		10.500	03/01	99.9000	+0.250	10.51	10.65	10.87
NETHERLANDS		9.250	11/00	100.7500	-0.140	9.13	9.10	9.17
AUSTRALIA		13.000	07/00	105.2313	+0.232	12.08	12.18	13.13
BELGIUM		10.000	08/00	99.9000	-0.200	9.76	9.75	9.92

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Drexel liquidators hope for full UK payout

By Stephen Fidler, Euromarkets Correspondent

LIQUIDATORS of the UK businesses of Drexel Burnham Lambert said yesterday they were hopeful that most of the companies' creditors could be paid in full.

Mr Phil Wallace of KPMG Peat Marwick McLintock, one of the liquidators, said that about £200m of asset sales had been made to date and that the creditors of the UK holding company should start receiving substantial payouts soon.

The sale of a £10m stake in a venture capital fund, First Britannia, is now the only UK asset left to sell and Mr Wallace said the liquidators were in no rush to realise that.

In the US, Drexel Burnham Lambert, the Wall Street firm which pioneered the junk bond market, sought protection from creditors last February under bankruptcy laws.

In the UK, all creditors of DBL Securities, the Eurobond trading company, and DBL Trading, the forex and bullion company, should be paid in full.

Creditors of DBL Limited, the commodity company, have already received 30p in the pound and those of DBL Holdings should receive 25p in the pound in the next three months. The outcome is likely to be between 45p in the pound and full payment, Mr Wallace told a creditors' meeting.

This depended on what funds could be recovered from the US Drexel companies and on a disputed claim of $85m against DBL Limited. If the claim was disallowed, there would be enough to pay creditors in full. However, Mr Wallace warned, it could take up to 10 years to sort out the problems relating to the claims on the US firm.

He said Drexel UK needed a net $70m from the US to allow creditors to be paid in full.

Moody's may downgrade Canadian bank

By Bernard Simon in Toronto

MOODY'S, the US credit-rating agency, is considering downgrading the rating of Toronto-Dominion Bank, the only Canadian bank and one of only three in North America whose debt is rated Triple-A at present.

Moody's said yesterday that although it had a high regard for TD's management, systems and credit review process, the bank was vulnerable to the recession which had taken hold in Ontario, where much of its business was concentrated.

TD's income for the three months ended October 31 dipped to C$125.3m, 25 per cent down on a year earlier. Non-performing loans almost doubled to C$922m on October 31. The bank suffered loan losses of C$357m in fiscal 1990, up from C$58m the previous year (excluding Third World debt writedowns of C$173m).

The other North American banks with Triple-A ratings from Moody's are Morgan Guaranty and Wachovia Bank & Trust Co.

Trading in S&P index options soars

By Barbara Durr in Chicago

TRADING volume surged in November on the Chicago Board Options Exchange's two Standard & Poor's index options.

Trading in S&P 500 index options, used mostly by institutional investors, shot up 36 per cent compared with last year. Trading in S&P 100 index options, used largely by retail customers, increased 33 per cent.

Some traders say the increased volume in options is a sign that investors are hedging themselves more heavily in light of uncertainty about where the equities market will go if there is a war in the Gulf.

Overall volume at the CBOE, which also trades 241 equity options and options on short and long-term interest rates, rose just 3.4 per cent last month compared with a year ago.

At the Chicago Mercantile Exchange, November average daily volume in S&P 500 futures jumped to 49,235 contracts compared with 38,090 last year. Average daily volume in options on the S&P futures jumped to 7,012 contracts (3,424 calls and 3,588 puts) from 4,784 last year.

The CME's total volume increased 13.1 per cent last month, although overall volume for the year is slightly down from 1989's record-setting pace.

At the Chicago Board of Trade, total volume for the first 11 months of the year is up 10.3 per cent to more than 144.7m contracts, breaking the 1988 record. Treasury bond futures, the world's most active futures contract, were up 12.7 per cent in November and Treasury bond futures options jumped 31.1 per cent last month.

KPMG reports revenue up 25%

By Richard Waters

KPMG Peat Marwick McLintock, one of the largest accounting and consulting firms, yesterday announced revenues 25 per cent up in the year to September 30 at £5.4bn. Like other accounting groups, it does not report net income.

It has also become the first large accounting group to generate more of its income in Europe than in the US, which has dominated the global accounting industry. European revenues leapt nearly a third to $2.5bn, while US fee income grew at a slower 18 per cent to $2.3bn.

The firm also saw strong volume growth in the Asia/Pacific region, where income jumped 31 per cent to £423m.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:10 pm on December 5

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	[illegible]	[illegible]		8.45
ALBERTA PROVINCE 9 3/8 95	600	[illegible]	[illegible]		8.65
AUSTRIA 8 1/2 00	400	[illegible]	[illegible]	[illegible]	9.01
BANK OF TOKYO 8 3/8 96	100	97	[illegible]		9.09
BELGIUM 9 1/8 92	400	[illegible]	[illegible]		8.30
BFCE 7 3/4 97	150	[illegible]	[illegible]		8.78
BNP 8 5/8 94	300	[illegible]	101		8.39
BP CAPITAL 9 5/8 95	150	[illegible]	[illegible]	[illegible]	8.40
CANADA 9 96	1000	[illegible]	[illegible]	[illegible]	8.40

INTERNATIONAL CAPITAL MARKETS

Banks search for capital adequacy

Simon London on alternative ways of meeting the Basle guidelines

REGULATION in the financial markets is often a spur to innovation. Nowhere is this more true than in the international banks' search for instruments which comply with the Basle guidelines on capital adequacy.

The guidelines give bank assets a risk weighting of between zero and 100 per cent. Loans to a bank's own government are given a zero weighting; those to a company, 100 per cent. By March 1993, banks will have to hold capital equivalent to at least 8 per cent of their weighted assets.

At least half the capital must be classified as Tier I capital. The remainder is made up of Tier II capital, of which there are two rankings. While the Basle guidelines define Tier I or core capital with simplicity, the definitions of Tier II capital are labyrinthine.

The result of compromise between numerous national interests, Tier II capital can include provisions, reserves, subordinated debt instruments and loan capital. However, the picture is blurred because each national central bank interprets the guidelines within its own jurisdiction.

German banks are worried, for example, that the Bundesbank will not allow them to count reserves resulting from revaluations of fixed assets as Tier II capital, although it is permissible in most other jurisdictions. The Bundesbank is waiting for the publication of EC directives before it unveils its final interpretation of the Basle guidelines. However, German banks will need to raise an additional DM70bn of Tier II capital if revaluation reserves are excluded.

The distinction between Upper and Lower Tier II capital has proved a rich vein of material with which financial engineers have worked.

For example, in 1986, Royal Bank of Scotland planned to issue $400m of Upper Tier II perpetual loan capital. The undated bonds were issued directly to investors. After 15 years, a special purpose vehicle, unconnected to Royal Bank, stands ready to buy-back the bonds.

From the bank's point of view, the debt is therefore perpetual, whereas for investors, it has a fixed life. The Bank of England initially gave the go-ahead for the issue as Upper Tier II capital, and then withdrew it after meeting opposition in Basle.

In the end, the notes were allowed to stand as Upper Tier II and they were finally issued in August last year, but it was decided that further issues involving repackaged securities would not be acceptable. The committee thus declared itself suspicious of complicated structures whose usefulness was untested in adversity.

Other Tier II instruments have proved troublesome for the opposite reason; they were acceptable to the regulators but not to investors. For a short period during the 1980s, Upper Tier II capital requirements were met through the issue of perpetual floating rate notes. By the end of 1986, $20bn of perpetual FRNs were issued, largely bought by Far Eastern institutions. However, a liquidity crisis in 1986 has left the instrument largely discredited.

> The distinction between Upper and Lower Tier II capital has proved a rich vein of material with which financial engineers have worked.

The gap was partially filled by a variation: step-up perpetual floating rate notes. The coupon on the bonds steps up every five years, with the assumption that the bank will redeem the bonds when the cost of borrowing is no longer acceptable – a "soft call" designed to ensure at least a degree of synthetic liquidity for the holder.

Barclays led the way with the issue of step-up instruments, mainly placed privately with Japanese leasing companies. However, demand has proved strictly limited. Moreover, the inherent illiquidity of the notes requires payment of an illiquidity premium, so the cost of capital is high.

In the past two years, many banks have turned to the issue of a still more complex structure – variable rate notes – to fulfil Tier II requirements.

These instruments are either of fixed maturity (Lower Tier II) or perpetual (Upper Tier II), with the coupon fixed for each quarterly period by the issuer and a "remarketing agent" – in consultation with investors.

The structure is similar to auction-rate preferred stock used by US banks. The difference is that at each stage the note holder has the option to reject the new coupon and put the bonds back to the remarketing agent, a feature which again provides synthetic liquidity.

However, the instrument has faced strong criticism from some quarters and the synthetic liquidity feature has proved vulnerable in only the past few weeks. For if no agreement on coupon is reached, the note reverts to a "back-stop" margin above the London interbank offered rate and the put option ceases to operate. In theory the back-stop margin is set at a high enough level to compensate investors for the illiquidity of the bonds under such circumstances.

However, four issues from international banks are now at the back-stop margin amid investor concern about the stresses in the international banking system.

Many investors who bought the bonds on the basis of the three-monthly put option, in the belief they were an acceptable substitute for money market instruments, are now left holding illiquid paper.

The first VRN was issued by Lloyds Bank in July 1988. Since then a range of international institutions has followed suit, including for example, National Westminster, National Australia Bank and Banco Santander. At the end of September, there was $4.2bn of perpetual debt and $3.6bn of fixed-term debt outstanding.

Yet it remains to be seen how much the market will absorb, and how the re-marketing "synthetic liquidity" feature stands up in a period of stress in the banking system. There are doubters, including Barclays, which has so far shunned the structure, noting that the back-stop margin on recent deals has been around Libor plus 60 basis points. Some in the market hold that VRN stands for "very risky note".

However, less complex forms of subordinated capital are also very expensive. The problem has been highlighted by the dilemma of Japanese banks, which are allowed to count 45 per cent of their unrealised equity gains as Tier II. Each 1,000 point fall in the Nikkei stock market index is calculated to reduce their capital ratios by 0.1 percentage point. Apart from emphasising the unreliability of this form of capital, the collapse in stock prices has forced Japanese banks to find alternatives.

They have issued $4bn of subordinated debt in the past three months, paying a spread of 20 to 40 basis points over Libor. It has been suggested that some buyers of the paper may have been encouraged to do so by loans from the issuing banks, which implies that even these margins above Libor may underestimate the true cost of capital.

A £250m fixed-rate issue by Barclays in October cost about 25 basis points over Libor, when swapped into floating rates, according to Mr Brian Worsley, the bank's assistant treasurer. In contrast, similar subordinated issues by Barclays in 1987 cost a shade below Libor. Moreover, Barclays still carries a triple-A credit rating. Its finances are in good shape compared with many other institutions.

The rising cost of capital is also exemplified by US banks. Faced by the prospect of a failed auction, Citicorp was recently forced to raise the top-rate payable on its Tier II auction rate preferred stock from 120 per cent to 200 per cent of the dollar commercial paper rate.

"The problem is that the money banks are already less good credit risks than their customers," commented one monetary official. That suggests many banks will not find an answer to their capital shortage by issuing more capital, but only by cutting back on their assets. The consequences of this – in reduced loan availability and higher costs for borrowers – are already becoming apparent. Banks' struggles with the Basle rules are thus more than a narrow, technical issue.

(This is the second of two articles. The first, on Tier I capital, appeared last Friday.)

Paris may consider end to debt guarantees

By Tracy Corrigan

THE French government may soon stop offering debt guarantees to state-owned borrowers when they tap the international bond markets.

The government is said to be concerned that the volume of guaranteed transactions is adversely affecting the perceived value of its own debt.

Borrowers such as Société Nationale des Chemins de fer Français, the state railway, and Électricité de France, the power utility, are set to lose their guarantees early next year, although it is believed that no decision has yet been taken.

An official at SNCF said the company had approached the international credit-rating agencies to obtain a debt rating should the guarantee be dropped. Both SNCF and EDF would be expected to gain top Triple-A ratings.

Nevertheless, they could suffer a rise in the cost of funds as a result of losing the guarantee. Crédit Local de France, which lost the government guarantee in 1987 when it became a public company, pays about 5 basis points more for its international borrowings than the likes of EDF and SNCF. In the domestic market, where all borrowers are unguaranteed, they achieve the same costs of funds.

Bankers Trust backs jet sale

BANKERS Trust, the US institution, said yesterday that it had provided a $180m short-term credit facility to Gulf Air to finance the purchase of Boeing aircraft by the Middle East airline, AP-DJ reports from Manama.

Gulf Air will use the money as "bridge finance" to pay for three 767-300 aircraft which were delivered last week. The facility will be replaced next year by a long-term loan guaranteed by the US Export-Import Bank.

Bankers Trust, which provided all the bridge finance itself, said it planned to start syndication of the 12-year loan in January.

Whitbread provides liquidity

By Tracy Corrigan

WHITBREAD, the UK brewer, has injected liquidity into the long-dated sterling bond market, which has been starved of debenture issuance over the past 18 months.

The brewer launched a £135m issue of 20-year secured debentures due 2011, priced to offer a margin of 140 basis points above the yield on the UK 9 per cent gilt. The bonds sold out quickly as domestic institutions rushed to fill gaps in their portfolios. The lack of supply in the market has been exacerbated by some borrowers repurchasing their long-dated stock.

The Whitbread issue is underwritten by UBS Phillips & Drew and NatWest Capital Markets, which also provided a swap into floating-rate sterling funds. These counterparties are both triple-A credits.

Swaps over such long maturities are rare. The market is very thin and suitable counterparties difficult to find. In an environment of rising interest rates over the last few years, an unwillingness to lock in high fixed interest rates over 20 years or more has discouraged borrowers from tapping the market.

The proceeds of the issue will refinance some of Whitbread's short-term financing.

First global issue made in Canadian dollars sells out

By Tracy Corrigan

THE FIRST global issue in Canadian dollars – and the largest in the international bond markets to date – sold out yesterday, ahead of pricing later today.

Ontario Hydro, which supplies the Canadian province with most of its electricity, announced a C$1.25bn five-year deal, which will be priced at a predetermined yield spread of 65 basis points above the new Canadian government five-year bond.

Plans to bring such an issue were announced a month ago, although no strict timetable was set. The Ontario Hydro deal follows a series of Canadian government bond offerings in recent weeks, culminating in C$1.5bn of bonds launched this week. Despite the lacklustre performance of the Canadian bond market recently, the Ontario Hydro deal was quickly oversubscribed, and increased by C$25m.

Ontario Hydro hopes to be able to raise much of its future funding through its global bond programme, tapping other areas of the yield curve, according to Mr Felix Chee, the company treasurer.

INTERNATIONAL BONDS

However, the first global deal was considered quite generously priced, at around the same level as the domestic Canadian market.

Mr Tim Von Halle, head of new issues at Merrill Lynch, said that around three-quarters of investors were outright buyers and a quarter were switching out of Canadian government bonds, a sign that the liquidity of the deal is attracting investors who are not usually Eurobond buyers. He said about 35 per cent of the deal is likely to be placed in Canada, the same in Europe, and the remaining 30 per cent split between the US and Japan.

However, some dealers thought that most of the deal would quickly flow back to Canada, which would undermine the purpose of the issue.

Elsewhere, Swedish Export Credit brought an Ecu150m four-year deal via Bankers Trust, which will be added to an outstanding Ecu150m of bonds.

In the equity warrants sector, Tokyu Department Store brought a $350m four-year issue of bonds with warrants. The deal was quoted at ¼ point below its issue price, well within 2¼ point fees.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Tokyu Dept.Store Co(a)♦	350	(4⅞)	100	1994	2¼/1½	Nomura Int.
Orico Amsterdam(a)★★♦	40	8.65	101⅛	1995	1⅝/1¼	DKB Int.
Komatsu Ltd(b)#♦	400	4½	100	1994	2¼/1½	Nomura Int.
ECUs						
Swedish Export Credit(c)♦	150	9¾	100.385	1994	1⅜/1¼	BTI
D-MARKS						
Snow Brand Food(a)♦	60	8⅛	100	1994	2¼/1⅜	Commerzbank
SWISS FRANCS						
Europaeische Hy'bank(a)★★♦	85	7⅝	101¼	1995	-	Bank Leu
Osaka Godo Co.(a)★★♦	30	8¼	100¼	1995	-	DKB (Schweiz)
YEN						
Fujitsu Ltd(a)♦	30bn	7⅜	101.40	1997	1⅞/1¼	Nikko Secs.
Minolta Europe Fin.BV(a)★★♦	13bn	7½	101½	1995	1⅝/1⅛	Daiwa Europe
Mitsui Real Est.(d)★★†♦	30bn	(d)	100	1997	40/25bp	Nomura Int.

★★Private placement. §Convertible. #With equity warrants. †Floating rate note. ♦Final terms. a) Non-callable. b) Coupon was indicated at 4⅞%. Exercise premium fixed at 2.55%. Non-callable. c) Fungible with existing C$150mn deal. Non-callable. d) Coupon pays Yen Libor plus ⅛% for first 3-months, then Japanese Long Term Prime Rate minus 20bp thereafter. Non-callable.

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Dec 5 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Tue Dec 4 Index No.	Mon Dec 3 Index No.	Fri Nov 30 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (196)	716.84	-0.3	14.85	6.66	8.22	34.18	719 15	726.02	722 77	898.98
2	Building Materials (26)	977.08	-1.0	14.85	6.25	8.28	41 09	987.31	990.02	994.59	1095.52
3	Contracting, Construction (34)	1145.13	-0 3	16.36	7.02	7 94	59.48	1148.69	1157.42	1163 00	1455.22
4	Electricals (10)	1868 60	-0.5	15.02	7.21	8.15	99.22	1878 62	1893.87	1869 27	2587.26
5	Electronics (26)	1533.20	-1.1	10 44	5.61	12.77	60.29	1550.74	1585 64	1593.19	1908.35
6	Engineering-Aerospace (8)	391 55	+0.9	17 13	6.23	7.00	17.27	388.23	389.63	387 49	0 00
7	Engineering-General (48)	364.90	+0.4	15.89	7.03	7.60	18.02	363 48	362.44	359 18	0 00
8	Metals and Metal Forming (8)	406.12	-0.4	22 38	8.45	5.52	24.83	407.95	408.54	405 43	466.23
9	Motors (13)	288.73	+1.0	17.30	8.33	6.74	17 45	285 80	288 13	281.89	369 58
10	Other Industrial Materials (23)	1239.05	-0 1	13.59	6.60	8.51	62.04	1239.98	1261.16	1244.56	1735.07
21	CONSUMER GROUP (178)	1219.56	+0.5	10.08	4.23	12.32	35 49	1213.12	1213.54	1205 37	1317 01
22	Brewers and Distillers (22)	1546.26	+1.2	10.36	3.90	11.86	33.88	1527.40	1529.40	1522.98	1491 03
25	Food Manufacturing (19)	1012.28	.....	11.49	4.88	10.71	31.63	1012.63	1009 67	1007.75	1150.50
26	Food Retailing (16)	2276.51	+0.2	9 08	3.31	13.22	58.72	2272.78	2261.23	2242.20	2352 13
27	Health and Household (18)	2511 92	+1.0	7.00	3 02	16 75	59.14	2486.59	2487.75	2441 04	2712.98
29	Leisure (32)	1232.30	.....	12.38	5.40	9 82	44.64	1232.96	1227.01	1236.16	1632.04
31	Packaging & Paper (12)	512 93	-0 9	12.56	6.79	9.78	23.79	517.41	517 18	513 16	539.78
32	Publishing & Printing (13)	2970.76	.....	12 10	6 38	10.34	139.88	2969 13	2985.52	2973.87	3786.76
34	Stores (34)	809.06	+0 3	10 56	4 50	12.31	25.63	806 53	811 76	809.10	806.55
35	Textiles (12)	428 06	+1.0	13.61	8.29	9.43	26.32	423.89	424 93	421 48	525 68
40	OTHER GROUPS (105)	1007.83	+0 6	12 42	5.73	9.78	33.65	1001 65	1008.09	998 30	1172.65
41	Agencies (14)	875.75	-0.5	12.19	3.83	9.94	23 93	880.10	888 82	880 14	1585 00
42	Chemicals (24)	1053.83	+0.6	12.86	6.40	9.17	50 79	1047 90	1058.40	1044 00	1220 84
43	Conglomerates (13)	1298 15	+1 2	12.83	7 70	9.41	41.19	1282.56	1299.51	1289.55	1688 87
44	Transport (15)	1881 70	+1.1	13 66	5 42	9.03	72 05	1860 76	1852.83	1826 65	2290 56
46	Telephone Networks (3)	1168 75	.....	11.44	4 32	11.36	26 09	1168.57	1176 00	1168.27	1154 60
47	Water (10)	2143.17	+0 3	13 54	6 64	8 37	68.12	2136 05	2154.36	2123 64	0.00
48	Miscellaneous (26)	1572 30	+1.2	11 92	5.64	9.75	63 59	1553 03	1552 89	1539.59	1928.85
49	INDUSTRIAL GROUP (479)	1032.09	+0 4	11.84	5 22	10.36	35 60	1028.26	1032 62	1025.22	1181 15
51	Oil & Gas (21)	2329 83	-0 3	8.60	5.46	13 60	95 39	2337 01	2363 74	2376 16	2347 65
59	500 SHARE INDEX (500)	1138.60	+0.3	11 50	5 26	10 76	40 42	1135.57	1141 66	1135 69	1278.69
61	FINANCIAL GROUP (102)	721 80	+0 2	-	6.63	-	34.02	720 08	726.30	717 30	834.87
62	Banks (9)	760 55	-0.2	21.19	7 61	6.18	42.00	762.34	767.89	760 45	853 04
65	Insurance (Life) (7)	1316 78	+1 0	-	5 83	-	55.82	1304 00	1326.78	1316 40	1409 02
66	Insurance (Composite) (6)	634 49	+0 8	-	6.74	-	32.08	629 67	641 09	633.81	714 39
67	Insurance (Brokers) (8)	1006.33	-0.2	7.52	6.39	17.42	48 39	1008 23	1002 50	973.49	1153.03
68	Merchant Banks (7)	359 06	-0.3	5 40	5.73	24 69	14.24	360.00	357.00	353 70	465.01
69	Property (44)	977 78	+0 3	7 42	5 04	18.24	30.55	974.81	979 64	959.31	1241.13
70	Other Financial (21)	250.30	+0 6	11 12	7 25	11 39	13.00	248 69	248.47	246.65	328 47
71	Investment Trusts (70)	1007.95	+0.3	-	4.00	-	28.74	1004.82	1011.35	1002.98	1283 00
91	Overseas Traders (5)	1222 00	+1.1	11.68	7 56	10 19	70.90	1208 13	1202.85	1179 81	1515 38
99	ALL-SHARE INDEX (677)	1035 59	+0.3	-	5 44	-	38.48	1032.81	1038 80	1032.11	1172 69

	Index No	Day's Change	Day's High (a)	Day's Low (b)	Dec 4	Dec 3	Nov 30	Nov 29	Nov 28	Year ago
FT-SE 100 SHARE INDEX♦	2152.6	+6.3	2152 8	2138.0	2146.3	2162.7	2149.4	2135.6	2144.3	2353 7

FIXED INTEREST

	PRICE INDICES	Wed Dec 5	Day's change %	Tue Dec 4	xd adj today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	120.01	.....	120 01	-	11 16
2	5-15 years	128 76	+0 10	128.63	-	11.95
3	Over 15 years	130.83	+0.17	130.61	-	10.78
4	Irredeemables	146.06	+0.26	145.68	-	13.70
5	All stocks	127.82	+0.07	127.73	-	11.72
	Index-Linked					
6	Up to 5 years	157.87	+0.33	157 34	-	3.04
7	Over 5 years	144.45	+0.06	144 36	-	3.45
8	All stocks	145 34	+0.08	145.22	-	3.42
9	Debentures & Loans	103.28	+0.03	103 25	-	11.14
10	Preference	73.79	+0.03	73 78	-	6 44

	AVERAGE GROSS REDEMPTION YIELDS		Wed Dec 5	Tue Dec 4	Year ago (approx.)
	British Government				
1	Low	5 years	9.57	9.54	10.37
2	Coupons	15 years	10 20	10 22	9.89
3		25 years	10.25	10.27	9 81
4	Medium	5 years	10 87	10 88	11 41
5	Coupons	15 years	10 59	10 61	10 32
6		25 years	10 46	10.48	9.95
7	High	5 years	11 01	11 01	11 56
8	Coupons	15 years	10 79	10 80	10 51
9		25 years	10 64	10 67	10 07
10	Irredeemables	†	10.47	10.49	9 90
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.85	4.00	3 71
12	Inflation rate 5%	Over 5 yrs.	4 18	4 18	3.70
13	Inflation rate 10%	Up to 5 yrs.	2 60	2.75	2.87
14	Inflation rate 10%	Over 5 yrs.	4 00	4.00	3 53
15	Debs &	5 years	12.63	12.63	12.94
16	Loans	15 years	12.41	12 41	12 44
17		25 years	12.20	12.20	12.10
18	Preference	†	12.80	12.80	10.78

♦Opening index 2147.0; 9 am 2138 7; 10 am 2140 0; 11 am 2146.9; Noon 2147.6; 1 pm 2152.0; 2 pm 2152 0; 2.30 pm 2152 0; 3 pm 2151.7; 4 10 pm 2151.7; (a) 2 43pm (b) 9 07am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	50	23	13
Corporations, Dominion and Foreign Bonds	4	1	16
Industrials	324	254	968
Financial and Properties	147	89	510
Oils	16	31	44
Plantations	1	1	8
Mines	39	25	89
Others	67	68	99
Totals	648	492	1,747

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+or-
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-
[illegible]							

Data for the Traditional Options table were not available for this edition.

LONDON TRADED OPTIONS

ACTIVITY in the derivative markets picked up yesterday, particularly in futures, as institutions attempted to gain exposure to the London market quickly and cheaply.

Some larger investors' belief that the London market could rally was particularly felt in futures.

The possibility of a rise before the year-end was reflected in the spread between the December and March FT-SE 100 contracts, which narrowed to 28 points from 34.

The December FT-SE 100 index contract traded at a strong premium to the cash index throughout the session, which continued to encourage institutions to roll over into the March FT-SE contract. The December FT-SE expires on December 31.

The December FT-SE 100 index closed 12 points higher at 2,183. December's premium to the cash index widened to 32 points from 26.

In traded options, turnover again rose slightly. The 25,519 contracts was divided between 14,046 calls and 11,473 puts. Dealing in FT-SE Index options at 3,777 contracts was low. Put trading dominated, with the December 2,100 puts a feature.

Among the stock options, Rolls-Royce was the busiest as a large deal by an inter-marketmaker was executed. The trade reportedly included the sale of 2,000 March 200 calls at 1½p.

British Gas continued to attract attention after remarks on Tuesday by Mr James McKinnon, director general of gas supply. He threatened to break up the company if it did not surrender 30 per cent of its industrial gas market by 1993. Turnover at 2,539 contracts was boosted after Barclays de Zoete Wedd sold 1,000 December 200 puts.

General Electric Company saw active dealing in the May 160 puts as the market reacted to the fall in interim profits and the prospect of no increase in the year dividend. A total of 1,032 lots traded, most of which were puts. British Airways traded 2,424 and British Telecom 1,222.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Alld Lyons (*478)	420	63	80	83	2	7	11
	460	31	48	55	10	17	23
	500	9	27	35	31	37	40
ASDA (*128)	120	14	19	23	3½	7	9
	130	7	12	18	7½	10½	13
	140	4	8½	12	12	17	20
Brit. Airways (*148)	130	23	29	31	2	5	7
	140	14	21	24	4	9	14
	160	5	10½	13	16	18	22
[illegible]							

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Storehouse (*113)	110	7½	15	17	6	9	11
	120	4	9	13	12	14	16
Trafalgar (*195)	180	17	23	27	11	20	27
	200	5	13	17	25	30	38
Utd. Biscuits (*307)	300	21	30	37	7	15	18
	330	7	14	22	26	33	35
Unilever (*658)	650	36	55	70	21	32	37
	700	12	32	45	49	60	64
[illegible]							

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Amstrad (*66)	60	7½	12	14½	2	5	6½
	70	2	6½	11	6½	9½	11½
Barclays (*372)	360	-	34	42	-	19	25
	390	-	20	25	-	34	38
Blue Circle (*219)	200	22	33	36	2	7	12
	220	7	21	24	7	15	22
British Gas (*229)	220	11	20	28	2½	7½	9½
	240	3	9½	18	13	18	19
[illegible]							

هكذا من الاصل

هكذا من الأصل

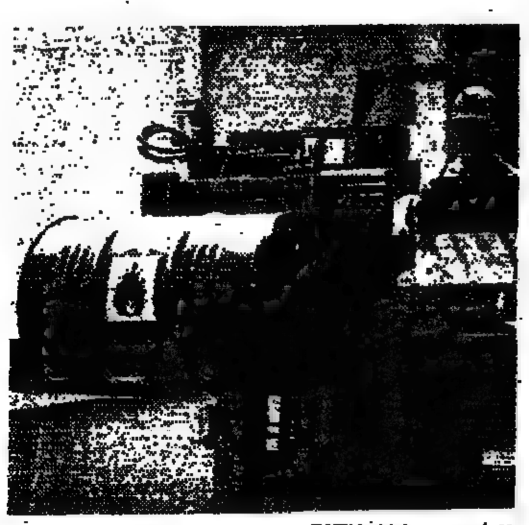
Kevlar* makes Audi engines last longer. Tyvek* gives every Audi a lifetime identity.

Every Audi is unique. Even cars of the same model have differences in equipment, and keeping track of them is vital. At Audi these equipment differences are encoded and printed on adhesive labels which are then placed inside the boot and in the vehicle's service handbook. Any subsequent repairs or parts replacement are thus made much easier.

To make sure this system runs smoothly Audi uses labels made only from Du Pont TYVEK, because of its tremendous wear resistance and other exceptional properties. Like TYVEK, KEVLAR is also made by Du Pont, and is no stranger to automotive manufacturers; they've known about the merits of this high strength, low weight fibre for years. KEVLAR, for example, is used to reinforce cylinder-head gaskets and cooling system hoses in high-performance engines. It is also widely used in brake pads, clutch linings and tyres.

The many strengths of Tyvek.
In developing TYVEK Du Pont was able to combine many of the best properties of paper, fabric and film. This unique spunbonded olefin material is extremely light, yet strong and tear resistant. TYVEK shrugs off water and most chemicals, resists puncturing, is approved for contact with foodstuffs, and retains its remarkable properties down to −70 °C. It is also highly printable, with a smooth, white surface that's suitable for all processes including computer printers. TYVEK is easily recycled or disposed of, with no adverse environmental effects.

Lost label... big problem.
Labels that get torn, worn or waterlogged can't be read – and an unreadable label is as useless as no label at all. For instance, what's the point of urgently shipping spare parts if no-one knows what they are? And chemicals that have lost their identity can be downright dangerous if wrongly stored or handled. It is because of the exceptional physical and chemical resistance of TYVEK and the labelling integrity it provides, that it is specified by such leading companies as Ciba-Geigy, ICI and Schering.



TYVEK for labels you can rely on.

With Tyvek the way ahead is clear.
Paper road maps, city plans and marine charts are great when they are new. But after a while they start to tear at the edges and fall apart at the folds... and if you get them wet they're simply unreadable.
But maps and charts printed on TYVEK are different; they can be folded and unfolded endlessly, and can't soak up water (drop one overboard and it will not only float, it'll stay completely readable). Even after years of use a map printed on TYVEK will still be pointing the way.

Maps made of TYVEK are tear-resistant and waterproof.

This remarkable durability is why TYVEK is specified by many leading map makers, including Edison Cartographiques, Maritimes and Delfino Editrice, and why the yachtsman's "Blue Book" of Mediterranean ports is printed on TYVEK.
Few things take more of a beating than children's books and games... and few materials can take the punishment better than TYVEK. Which is why, for example, Ravensburg Games use it to extend the life of their products.

Tyvek delivers, safe and sound.
When you send something by mail or courier you want it to arrive in the same condition as when it was sent.
Envelopes of TYVEK resist pilfering or accidental exposure of the contents through tearing, puncturing, bursting and abrasion. Add to these qualities their postage-saving light weight, water resistance and high-quality appearance, and it is little wonder that they are the primary choice of many banks, insurance companies and legal firms.
No surprise, either, that courier services such as Federal Express, and several postal authorities use envelopes of TYVEK for their important and urgent deliveries.

Packed safely.
TYVEK's special properties of strength, security, chemical and physical resistance and light weight offer many advantages to the packaging industry. Its versatility is useful, too: TYVEK can be printed, diecut, laminated, heat-sealed, bonded with adhesive and stitched. Its smooth surface is perfect for record and floppy disc sleeves, while its air permeability allows products to be gas sterilized, making it ideal for sterile packing applications.

Long-lasting legibility plus people protection.
Labels, envelopes and packaging are by no means the only uses for TYVEK.

The same advantages of strength and durability lend themselves to almost any application where the message must get through – display materials such as banners and posters, freight waybills and shipping documentation, ID cards and season tickets, wiring diagrams and instructional manuals... the list is almost endless.

TYVEK keeps valuable documents safe in transit.

And TYVEK protects people, too. Wherever there are hazardous work situations such as asbestos removal, chemical clean-ups, crop or paint spraying, or hospital surgeries and high-tech clean rooms, protective clothing made of TYVEK is available for a wide variety of applications.

Innovations from Du Pont.
KEVLAR, NOMEX* and TYVEK are produced by the Engineering Fiber Systems division of Du Pont, which also developed TEFLON*, TYPAR*, CORDURA* and high-strength Nylon. From house and home to air and space, these products have opened up new perspectives in countless areas and applications.
Du Pont is one of the world's leading research-oriented companies, with 39 production plants and laboratories in Europe alone.

Du Pont de Nemours International S.A.
Engineering Fiber Systems, P.O. Box 50,
CH-1218 Geneva, Switzerland
Du Pont Engineering Fiber Systems.
Develop with us.

*Du Pont's registered trademark.

DU PONT

Yorkshire Water makes £57.4m and pays 5.9p

By Andrew Hill

YORKSHIRE WATER, one of the UK's 10 privatised water companies, yesterday reported profits of £57.4m before tax for the six months to September 30, and declared an interim dividend of 5.9p.

Sir Gordon Jones, chairman, claimed Yorkshire had the lowest operating costs of any British water company per head of population.

However Mr Trevor Newton, deputy chairman, said that this did not necessarily mean it was the most efficient.

Operating costs increased by 6.4 per cent in the first half. The saving in real terms was partly due to the removal of costs incurred on a large contract for Coca-Cola in Wakefield in the equivalent period, and the benefit of the new uniform business rate for north of England companies.

But Mr Newton said Yorkshire had also concentrated on increasing efficiency in its core business and had driven a hard bargain with suppliers.

In the equivalent period of 1989-90, Yorkshire made £17.4m before tax, and would have reported profits of £51m had the industry's new capital structure been in place from April 1 1989.

Earnings per share increased from a pro forma 23.3p to 27.3p. The interim dividend was about 15 per cent up on the theoretical equivalent.

Turnover rose from £177m to £193m, an increase of 8.8 per cent. That was below the rate of price increases, partly because of the loss of income from the Coke contract, and partly because of a noticeable decrease in consumption from some of the group's metered industrial customers as recession moved northwards.

Sir Gordon said Yorkshire expected to achieve its investment target of £240m by the end of the financial year, depending on weather conditions.

● COMMENT

Yorkshire management's combination of modesty and ambition, and its relatively steady capital investment programme suggest a low-risk investment. The group also seems keen to keep its head below the parapet on the issue of regulation: Yorkshire may argue with the speed of enforcement demanded by the National Rivers Authority but is eager not to be bottom of the class on water quality and service requirements. If recession continues to creep up on the north of England, Yorkshire, with 30 per cent of turnover coming from measured industrial customers, may be hit, but Mr Newton claims the effect has so far been patchy (the textile industry has suffered, for example, while chemical companies remain buoyant) and is not getting any worse. The prospect of a full-year dividend of 17.7p puts Yorkshire's shares, up 2p at 264p, on a yield of just 7.1 per cent, fully paid. That is the lowest prospective yield for any of the water company shares, and is well-deserved.

Sir Gordon Jones: investment target of £240m should be met by the end of the financial year, weather conditions permitting

Avon Rubber deflated with 15% reverse to £10.6m

By Richard Gourlay

AVON RUBBER, the tyres, inflatables and industrial polymer company, yesterday reported a 15 per cent fall in pre-tax profits for the year to September 30, but succeeded in cutting debt and improving cash control ahead of what it sees as another difficult year.

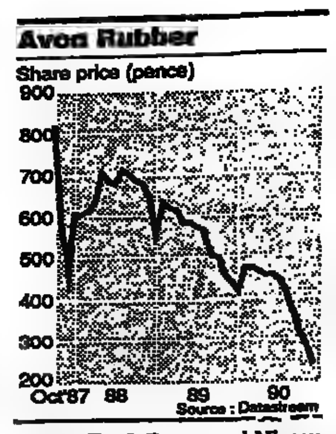
After a 28 per cent increase in interest charges, pre-tax profits fell from £12.46m to £10.61m on turnover marginally lower at £224.82m.

The company, under Mr John Harper, the new finance director, reduced gearing for the year from 58.6 per cent to 55.7 per cent and cut debtors and stocks by £15m from the half way-stage.

At the trading level, the main decline came in the polymers division, which accounts for 39 per cent of turnover, following a moratorium by the Ministry of Defence on new contracts between May and August.

Avon has now merged the defence division into other operations, cutting overheads, but the Nuclear, Bacteriological and Chemical unit that makes masks which are being used by a number of the coalition armies in the Gulf remains intact.

From the rest of the polymer division, Avon said it was benefiting from increased production at Ford, Rover and Nissan.



Polymer division operating profits fell from £10.3m to £7.9m.

The tyres division, accounting for 25 per cent of turnover, had a difficult year but the company said the £4.9m trading profit compared to £6m last year was "respectable". The replacement markethad held up better than the original equipment market where price pressure has hit the tyre industry in Europe.

Trading profits at US Cadillac, the rubber and plastics business, which accounts for 20 per cent of turnover, were £3.3m compared to £900,000 in three months of last year.

When Avon bought the company last year it forecast trading profits of £6m for this year.

A recommended final dividend of 11.5p gives a total for the year of 16.5p, unchanged from last year but on a larger capital base. Earnings per share declined from 42.6p to 30.8p.

● COMMENT

Avon's shareholders should be grateful that the new finance director has slashed 15 per cent off stocks and debtors since the half-way stage and £2m off overheads, even if they would be justified in asking why such levels were tolerated for so long. They will be more nervous about the US operations where car sales in the first quarter next year are set to be disastrous and where the Cadillac investment has had a slow start. On the upside the share price is likely to be supported by a 4.6 per cent stake held by the Trelleborg group of Sweden which it built last December, and a reasonable yield for the sector of about 9 per cent. In the current climate, forecasting next year's profits is somewhat less precise an art than usual but ranges upwards from £10m. On that basis earnings per share would fall to 26p, after a higher tax charge, giving a prospective multiple of 9.

PML backs £3.56m buy-out bid

By Richard Gourlay

PML GROUP has agreed to the terms of a bid from Rapallo, a buy-out vehicle, which values the USM-quoted designer and maker of ladies shoes, knitwear and fashionwear at £3.56m.

Rapallo is offering 19p cash for each PML ordinary share and 100p cash for each 100p nominal convertible 1995 loan stock. The announcement came after the market closed yesterday with PML sharesat 16p.

Rapallo was formed by Transamerican Express Financial Services, the largest PML shareholder, and some present and past directors and management from PML's retail division.

Mr Howard Stanton, the only PML board member not involved in the buy-out, said the offer was "fair and reasonable". The statement from the board said trading conditions were weak and likely to remain so.

Thames Water buys pipe cleaner

By Andrew Hill

THAMES WATER, Britain's largest water company, has added to its non-core business with the purchase of a drain and pipe cleaning group for an initial £3.1m.

The acquisition of Metro Rod expands Thames' unregulated activities well outside its water supply and treatment region, which stretches from London in the east to Swindon in the west.

Metro Rod operates a network of franchises across the country and owns operations in London, Manchester and Bristol which generate more than 40 per cent of its sales.

In the year to June 1990, Metro Rod reported total sales of £13m, with nearly 75 per cent of revenue coming from industrial and commercial customers and the rest from households. Further payments may be made depending on the future performance of Metro Rod.

Thames said the acquisition would add to the building services activities of the group, which include Plumbline, a plumbing subsidiary, and Water Quality Centre, which provides consultancy services.

Geevor makes $2.76m US purchase

By Kenneth Gooding, Mining Correspondent

THE NEW management team at Geevor has taken the first steps towards restoring the company's earnings base and developing it into an international mining organisation with an agreement to buy the assets of Pinnacle Creek, a US coal recovery and reprocessing business, for $2.76m (£1.43m).

To pay for the proposed acquisition and to provide further development funds and working capital, Geevor is to raise £2.1m via a placing and open offer.

Smith New Court has conditionally placed shares at 25p apiece with institutional investors, subject to a provision for clawback from the open offer. Shareholders will be offered two new ordinary shares for every five held.

Subject to the success of the placing and offer, Geevor will pay for the Pinnacle Creek assets $2.2m cash plus 508,472 Geevor shares at 25p each and $260,000 by the assumption of certain indebtedness.

Mr Mark Wellesley-Wood, who was appointed chairman and chief executive in April, said the deal would give the company a "significant cash generator."

Independent consultants have projected that, over the ten-year life of the operation, the net pre-tax cash flow after capital expenditure would be about $9.76m.

● Mr Wellesley-Wood said further rationalisation of Geevor would probably mean the sale as a going concern of its tin mine and operations at Pendeen, Cornwall, where mining stopped in February because of low prices.

Bunzl asks Exchange to probe 'smear'

By Andrew Bolger

BUNZL has asked the Stock Exchange to investigate the source of rumours concerning the specialist manufacturing and distribution company, which recently accepted the resignation of Mr James White, its chairman and chief executive, together with two executive directors.

The Exchange had earlier informed Bunzl of an anonymous communication to certain analysts about the group – headed "Current Conditions 1990" – which downgraded profit expectations.

Bunzl said it was not aware of any new factors which might affect overall trading prospects for the current year. The shares closed 4½p down at 68½p.

A Bunzl adviser said: "It was a cheap and nasty attempt to mount a bear raid, which unfortunately did move the price slightly. The smear sheet went to an analyst who very properly reported it to the Exchange."

Last month Mr White resigned after heated debate with the rest of the board, particularly the group's non-executive directors and institutional investors, who wanted him to step down as chairman. Mr David Kendall, a non-executive director, has taken over.

15% rise puts Bass on £535m

By Philip Rawstorne

BASS, the UK's largest brewer, yesterday reported a 15 per cent increase, from £465m to £535m, in pre-tax profits for 1989-90.

Trading profit for the year to September 30 was 28 per cent higher at £673m (£526m) on turnover up 10.5 per cent to £4.46bn (£4bn).

Earnings per share grew 18 per cent from 92.7p to 109.6p as operating margins improved across all sectors of the business. Mr Ian Prosser, chairman and chief executive, claimed that "the results in a year of unparalleled change . . . demonstrate the quality and resilience of our business and brands."

A final dividend of 23.4p is proposed, making a total of 32.4p for the year, 15 per cent higher than last year's 28.2p.

The ratio of debt to equity was reduced to 47 per cent

The figures included an eight-month contribution from the Holiday Inn business in North America, acquired last February, which Mr Prosser said was in line with expectations in spite of economic pressures on the US hotel business.

Holiday Inn was better placed than its competitors in that market because of its brand strength and the resilience of its franchise income, based on rooms revenue rather than operating profit, he claimed. Worldwide, the hotel business made operating profits during the year of £103m.

Provision was made for costs of £98m in line with the policy of writing off total goodwill, including brand value, on purchase. Total operating profit of the hotels and restaurants operations, including Toby restaurants, was £127m on turnover of £774m.

Brewing turnover was 5 per cent ahead at £1.49bn, yielding operating profits 21 per cent higher at £177m (£146m). But while Carling Black Label and the Tennents brands showed strong growth, overall sales into Bass's pub estate declined by 4.5 per cent. Increased sales to the free trade and take-home outlets secured a marginal rise in market share.

Bass Inns and Taverns turnover increased by nearly 4 per cent, with operating profit advancing by 6 per cent to £216m (£204m).

Britvic soft drinks, in which Bass has a major indirect shareholding, traded well. Operating profits were 47 per cent higher, following extensive rationalisation of the business, at £43m (£29m) on turnover up 7 per cent at £451m.

Bass Leisure's operating profit rose by nearly 20 per cent to £64m (£54m). Coral betting shops experienced difficult trading conditions in the summer – "too many favourites won" – but increased their profit contribution for the year as a whole. The amusement machine business lifted its share of a depressed market.

Sage up 63% to buck softwear industry trend

By Alan Cane

THE Sage Group seems to have bucked the gloomy trend that has resulted in poor results from many other computer software suppliers.

In its first full year results since flotation, the Newcastle-based supplier of accounting software and networking products for personal computers, raised pre-tax profits by 63 per cent to £4.73m (£2.91m) while sales were up 44 per cent to £13.4m (£9.8m).

Earnings per share improved 52 per cent to 19.2p (12.6p) and the directors are recommending a final dividend of 4.65p giving a total for the year of 7p, an increase of 20 per cent.

The company showed strong sales growth in packaged accounting software and in stationery, software maintenance and training, although sales of the company's Mainlan networking product were static.

However, new versions launched in September have boosted demand and a new business unit will be created to take over marketing of the enlarged product range. The US subsidiary, US Sage, made a loss of £81,000, but the new range of networking products promises substantial sales growth and a contribution to profits this year.

Recurring sales of non-software products, including stationery and training, are now about 30 per cent of group sales.

Directors said that sales and profits for the first two months of the current year have exceeded internal targets and that in spite of the hostile business environment, there will be continued growth in 1991.

Sun Alliance to open Indonesian arm

By Richard Lapper

SUN ALLIANCE, the general and life insurer, announced yesterday that it would establish a new general insurance subsidiary, PT Sun Alliance Indonesia, in association with leading Indonesian business interests.

Sun Alliance is taking advantage of a change in foreign investment law in Indonesia which allows majority foreign ownership of joint ventures.

It will own 60 per cent of the new subsidiary's Rp15bn (£4.1m) share capital. Its principal partner, PT Tugu Pratama Indonesia, will own 30 per cent.

Mr William Soeryadjaya, a local businessman who is head of Astra, one of the leading industrial groups in that country, will own the remaining 10 per cent.

PT Tugu Pratama is the largest general insurance company in Indonesia and is associated with Pertamina, the state-owned oil and gas company.

A substantial portion of PT Tugu Pratama's premium income comes from the insurance of oil and gas installations. Sun Alliance hopes to help its local partner develop personal and commercial lines business, especially outside Jakarta.

UK COMPANY NEWS

Hire side helps Christian Salvesen rise 10%

By Andrew Bolger

CHRISTIAN SALVESEN, the diversified food distribution and industrial services group, relied on a strong performance by its specialist hire division to enable it to raise pre-tax profits by 10 per cent to £36m in the six months to September 30.

Turnover increased to £217.4m, compared with £188.4m, and earnings per share were 11 per cent higher at 8.66p. The interim dividend is lifted by 10 per cent to 2.75p.

Mr John West, chairman, said: "While we do not see an easing of economic and competitive pressures in the second half, attention to the few remaining problem areas continues to strengthen the business overall."

Returns from the group's distribution and manufacturing divisions were flat, but the specialist hire side saw its trading profits increase by 33 per cent to £11.2m. Although Salvesen Oilfield Technology also had a good half-year, the vast majority of the division's business is in Aggreko, which makes and hires out power generators in Europe, the US and the Far East.

In distribution, the group said that contract operations in the UK had performed well, particularly in the food area, but that continental Europe continued to be difficult.

In manufacturing, Salvesen Brick maintained sales of facing and engineering bricks at the same level as last year, but that difficult market conditions had eroded margins.

Food services had a good first half, assisted by an early start to the processing season, with good tonnages of peas, the group's main crop. As last year, the long, dry summer had affected crops available for autumn processing.

The group said that Vikoma, which makes pollution control equipment, almost trebled its profits, although it still contributes less than £1m of the manufacturing division's unchanged trading profits of £12m.

Mr West said the management restructuring completed in June was starting to show through in terms of greater accountability and focus within the group's diverse business activities.

Strong cash flow had allowed aggressive but selective investment in core activities without significantly increasing borrowings, and over the half-year a further £50m had been invested. Gearing was 17.7 per cent at September 30 and was expected to be about 28 per cent by March.

COMMENT

Aggreko continues to confound the sceptics – which is just as well given the flat results from the manufacturing and distribution side and even bleaker trading outlook for the second half. The group has certainly built a strong worldwide position hiring out generators, but no-one seems to be sure if it can maintain this sort of level of growth as the UK and US slip into recession. Forecast earnings of £66m put the shares, which closed 5p up at 164p, on a multiple of just over 10. The prospective yield is only 5.4 per cent, but the strong balance sheet makes the group a reasonable interest rate play, especially on the bricks side.

Trevor Humphries

John West (left) and Chris Masters, chief executive

Little change at Robert Douglas

By Andrew Taylor, Construction Correspondent

ROBERT M Douglas, the Midlands-based building group, yesterday announced pre-tax profits ahead from £5.26m to £5.35m for the six months to end-September.

The group said that this represented a highly creditable performance when rival companies had been announcing sharp falls in profits.

The group has not entirely escaped from the effects of the recession. Profits from scaffolding and formwork – steel moulds into which concrete is poured for foundations, floors, bridges and other large structures – fell by 30 per cent in the UK and by 15 per cent worldwide.

"We remain cautiously optimistic about our position in the Gulf where our major presence is in the United Arab Emirates and Oman but out concern about the worsening of the American market has prompted us to embark upon a phased withdrawal from the US," said Mr John Douglas, chairman.

He said the fall in formwork and scaffolding earnings had been offset by a 22 per cent rise in construction profits, mostly from the UK. A number of jobs the group has been working, however, are approaching completion and it was proving difficult to replace all of this work, with order books down by about a quarter compared with 12 months ago.

The group has benefited from the fact that only a small part of its business is in residential and commercial property development where the downturn has been extremely sharp.

It said that a large part of its formwork business is in civil engineering which should benefit from increased investment in road and water.

Earnings per share were marginally higher at 20.7p (20.6p). The interim dividend is maintained at 3p.

Lombard North Central tumbles to £33.2m

HIGH INTEREST rates adversely affected Lombard North Central, the finance house subsidiary of National Westminster Bank, and it finished the year to September 30 with a significant decline from £86.5m to £33.2m in pre-tax profits.

Sir Hugh Cubitt, chairman, said that the high level of interest rates prevailing throughout the year had adversely affected profits.

Many customers had a great strain placed on their cashflows and on their ability to meet their commitments. Consequently, the group charge for bad and doubtful debts had doubled.

Customers' balances had risen 7.5 per cent to over £8.4bn, "which in a highly competitive marketplace is a considerable achievement".

This year's results took account of £5.6m closure and reorganisation costs of subsidiaries.

After tax of £10.6m (£25.2m) and minorities £1.7m (£7.2m), net attributable profits worked through at £20.8m, against £54m.

Standard Life pinched by housing downturn

By Richard Lapper

STANDARD LIFE, the mutual life assurance company, yesterday announced new annual premium income of £1.72bn for the year to November 15, some 4 per cent down on last year.

The fall reflected the uncertain investment outlook and depressed housing market in the UK, where new business premium income of £1.21bn was 8 per cent less than last year.

Both new annual premiums (£304m) and new single premium income (£910m) fell.

Like other UK life assurance companies, Standard has been hit by the uncertain investment climate and the depressed housing market.

Even so, it was able to increase sales of savings policies by £24m as a result of a strong marketing effort. UK mortgage endowment business, which fell back sharply in 1989, was sustained at last year's levels with sales amounting to about £100m, just under a third of total new annual premiums.

Pensions business remained buoyant. Standard was receiving an average of 2,000 new personal pension proposals a week and there has been a big increase in pension transfer business, which accounted for about 17.6 per cent of new single premium income.

Mr Alan Goodman, marketing manager, said he was "absolutely delighted with the figures." Standard distributes between 75 and 80 per cent of its products via independent financial advisers and the remainder through tied agents.

The company agreed an exclusive distribution agreement with Halifax Building Society just over a year ago.

Meanwhile, Standard's unit linked life funds continue to perform strongly. Over the 11 years since their launch in 1979 Standard's UK Equity and Managed Funds have both performed particularly strongly, with the values of investments appreciating by more than 6 times and 4 times respectively, making them the second and third best performing funds of their type in the country.

The value of the five funds together now amounts to £790m.

COMPANY NEWS IN BRIEF

AITCH HOLDINGS is expanding its ladies fashionwear operations with the acquisition of Gottfried and Paul & Son from PML Group. Consideration is £430,000 in ordinary shares.

BNB RESOURCES has purchased Lockyer Bradshaw & Wilson, a UK recruitment advertising agency, from Michael Page Group for £1.5m cash plus a maximum £200,000 deferred payment conditional on LBW's 1991 turnover reaching £10m. For the 10 months to end-October 1990 LBW incurred a pre-tax loss of £709,000, including redundancy costs of £262,000, from a turnover of £10.5m.

DOWDING & MILLS has extended its European operations through the acquisition of German-based Stein and Vendel, a specialist in the rewinding of mining motors, for DM1.5m (£515,000).

ENSOR HOLDINGS has acquired Clarcon, a maker of manhole covers and frames, for £925,000 in loan notes.

EUROCOPY has been granted negotiating rights to acquire the assets and business of the office equipment dealer division of Consolidated Microvision (Holdings).

FISONS has exchanged contracts with the private owners of CES Analitica, a Spanish-based analytical instruments distributor, for the acquisition of its business and assets for £700,600 cash.

FORD SELLAR MORRIS Properties has sold three properties to Dwyer for £10m, as part of its continuing policy to reduce gearing. The properties comprise offices totalling 41,000 sq ft in Sheffield, a shopping parade in Coatbridge and a completed leisure development in Bury.

GEI INTERNATIONAL has acquired the assets and business of PPM Albro, a manufacturer of pressure sensitive labelling and powder filling machines, from Portals Holdings for £1.3m.

GREENACRE GROUP: Rights issue of 6.43m convertible redeemable preference shares provisionally allotted to shareholders and option holders was taken up as to 281,771 shares (4.4 per cent).

GUIDEHOUSE GROUP has acquired JO Hambro & Partners, a specialist provider of corporate finance and advisory services for smaller companies, for £500,000 via the issue of 3.33m new ordinary shares. The purchase results in JO Hambro & Company increasing its stake in the enlarged capital of Guidehouse from 1.8 per cent to 10 per cent.

HARTSTONE GROUP has moved into the European leathergoods market with the acquisition of Manufacturas CIMA of Spain for Pta415m (£2.2m) in cash and shares.

HARVEY & THOMPSON is to raise £2.4m net in a one-for-four rights issue at 240p per share in order to reduce borrowings, which stood at £34.8m on October 29.

JOHNSON & FIRTH Brown has acquired the business and certain assets of Cobden Chadwick, an exporter of flexographic machinery, for £3.8m in cash from its own resources.

LAPORTE is paying £3.6m cash for the Scandinavian business of Kemira Kemwood. Vendor is Kemira Oy of Finland.

LAURA ASHLEY Holdings, headed by Sir Bernard Ashley, has sold Sandringham Leather Goods for an undisclosed sum to Mr John Clemence, managing director of Norland Gazelle Travel Goods, Uxbridge, Middlesex.

LEP GROUP is merging Crowe srl, its wholly-owned subsidiary in Italy, with Albarelli. Albarelli Group and LEP will each own 50 per cent of the new company, LEP-Albarelli, providing freight forwarding, wharehousing and distribution services throughout Italy.

Sir Bernard Ashley, chairman of Laura Ashley

MAI has acquired the 50 per cent of Uwe J Muller it did not previously own.

P&P, personal computer service group, is paying a maximum SKr70m (£6.4m) for Cidron, a Swedish holding company of a specialist distributor of PC's and computer products. Fixed consideration is SKr40m, with a deferred amount of up to SKr30m based on post-tax earnings for the year ending April 30, 1991.

POLYPIPE has purchased Plastic Spools, a subsidiary of Tootal Group, for £450,000 cash. In the year to end-January 1990, PS achieved profits of £106,000 from turnover of £1.2m. Net assets were valued at £230,000.

PROPELLER: Of 24.01m rights issue shares, 10.98m (45.75 per cent) have been subscribed by shareholders and the balance of 13.03m will be taken up by sub-underwriters.

ROTHMANS: offer for Carroll accepted in respect of 36.29m ordinary shares and 326,452 preference shares representing 48.8 per cent of 81.6 per cent of the respective share capitals. Offers extended until December 20.

SAVAGE GROUP has exchanged contracts for the sale and leaseback of manufacturing site in Watford for a net consideration of £3.9m. Proceeds will be used to reduce borrowings.

SMITHFIELD DEVELOPMENTS, a subsidiary of the leisure-based developer Arcadian International, has completed the sale of 18/19 Clerkenwell Green, London, to Deab of Stockholm.

SPRINGS HEALTH Hydro has called in receivers KMPG Peat Marwick McLintock. The business is continuing to trade as normal. The receivers, Mr John Wheatley and Mr Myles Halley, are planning an early sale of Springs as a going concern.

STEEL BURRILL Jones has sold its 49 per cent shareholding in Hinton Hill and Whistondale to the controlling shareholder Whistondale Investments. Consideration was £125,000 and the assumption of certain guarantees of SBJ relating to HHW.

STIRLING GROUP has acquired Fiona Rose, supplier of ladies' nightwear to Marks and Spencer, for £1.95m cash. Taxable profits of not less than £410,000 have been guaranteed for the year to March 31 1991.

SUTCLIFFE SPEAKMAN has sold the business and assets of Walker Engineering to management for £908,000, and the new company has indemnified Walker in respect of liabilities totalling £1.08m. Disposal reduces Sutcliffe indebtedness by some £1m and relieves it of additional future capital expenditure.

WAGON INDUSTRIAL Holdings has acquired Hovers Beheer (Hovuma), a Netherlands-based materials handling company, for about £4.5m in cash. In 1989 its sales were £5.1m and pre-tax profits £730,000.

WOLSTENHOLME RINK has acquired the net assets and business of Printing Supplies & Equipment from Pembridge Investments at net asset value estimated at £2.35m cash. The exact consideration will be determined by a completion audit.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Allen § ....int	1.8	Jan 25	1.6	-	4.8
Avon Rubber ....fin	11.5	Feb 12	11.5	16.5	16.5
Bass ....fin	23.4	Feb 14	21.2	32.4	28.2
Cafyns ....int	5	Jan 15	5	-	11.5
Cape ....int	3	Jan 14	2.5	-	8.5
Casket ....int	nil	-	nil	-	0.1☆
Douglas (Robt M) ....int	3	Feb 25	3	-	10.5
Drummond ....int	0.5	Jan 18	1	-	2.35
Fleming Int High ....int	1‡	Freb 12	0.65	-	2.35
JLI § ....int	1.43	Feb 6	1.3	-	3.9
Rawlinson Secs ....int	0.24	Jan 25	0.24	-	1.35
Saatchi/Saatchi ....fin	nil	-	1.5	nil	9
Sage ....fin	4.65	Feb 25	-	7	-
Salvesen (Chris) ....int	2.75	Feb 8	2.5	-	8.78
Tams (John) § ....int	1.59†	Jan 10	1.38	-	-
Yorkshire Water ....int	5.9	Mar 4	-	-	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆For nine months. ‡Including 0.863p (0.05p) special.

UK COMPANY NEWS

Boardroom departure and new broker at Brunning

By Alice Rawsthorn

BRUNNING GROUP, the marketing company, yesterday appointed Peel Hunt to replace UBS Philips & Drew as its house broker and announced the resignation of Mr Tony Bond as a main board director.

Brunning appointed Philips & Drew as its broker less than a year ago shortly after Mr Neil McClure joined as chief executive.

Mr McClure had previously worked with Philips & Drew during his time with the Saatchi & Saatchi advertising group.

Mr McClure said Brunning had decided to move to a smaller broker, because, as a small company, it was concerned it was "too small a client for a big house like Philips & Drew".

He said the forthcoming change in classification of the marketing sector to the larger media sector had accentuated the need to appoint a smaller broking house.

Yesterday Brunning also announced the resignation with immediate effect of Mr Tony Bond as development director. Mr McClure said Mr Bond's departure was part of an ongoing programme to cut central costs.

Since Mr McClure's arrival the number of main board directors has been reduced from six to three. The central staff has also been cut from 14 to eight people. Brunning is now cutting costs further by moving from its head office.

Brunning's shares yesterday fell by 3p to 23p on the announcements. Two major investors have sold part of their holdings over the past week. Govett UK Special Opportunities Fund has sold 97,531 shares and now holds 350,000 shares, or 6.1 per cent. Govett Strategic Investment Trust has halved its stake to 150,000 shares, or 2.6 per cent.

Brunning, which passed its dividend this summer after announcing a pre-tax loss of £1.4m for the year to March 31, has been radically restructured since Mr McClure's arrival. It has sold Index Advertising and Circular Distribution.

The group is now selling land and property in an attempt to reduce its £2m debts. Mr McClure hopes to complete the sale of Burleyfield House in High Wycombe – valued at £900,000 – by the end of the year.

Mr McClure said Brunning's remaining interests in regional advertising, public relations, exhibitions and recruitment were now stable. He hoped Brunning would break even this year.

Drummond drops into losses and halves interim

By Alice Rawsthorn

DRUMMOND GROUP, the Yorkshire-based wool textile company, yesterday halved its interim dividend to 0.5p after announcing a slump from pre-tax profits of £608,000 to losses of £550,000 in the six months to September 30.

Mr Stefan Simmonds, chairman, said the group had suffered severely – particularly in worsted weaving, its largest activity – from the downturn in the UK retail sector and the collapse of its Middle Eastern export business in the wake of the Gulf situation.

Trading profits fell steeply to £110,000 (£608,000) but the group incurred a pre-tax loss after an exceptional charge of £660,000. That related to the impact on wool stocks of the dramatic fall in prices this summer and provisions for stock losses on order cancellations.

There was a decline in sales in almost every division, but overall turnover increased to £18.11m (£13.02m) as a result of the acquisition of the John Crowther weaving mill.

Operating profits fell to £399,000 (£814,000) and interest payable amounted to £289,000 (£206,000) on gearing of 20 per cent.

Losses per share emerged at 9.27p (earnings of 2.44p).

Chargeurs, the French textile group, last year invested £6m in Drummond and now holds preference shares which can be converted into 9 per cent of its overall equity next September.

However, the shares convert at 130p and Drummond's share price, which has fallen because of its financial problems, slipped again by ½p to 20p yesterday.

Mr Simmonds said the wool textile market was still "very competitive" and "highly unpredictable". Drummond had cut costs across its operations and frozen recruitment.

The board was now reviewing all the businesses although Mr Simmonds did not anticipate closures or disposals.

He described the outlook for the full year as very uncertain. "There is not likely to be an improvement in trading conditions," he said. "The market is so unpredictable that I dare not say more than that at the moment."

Buy-in aids Lionheart retailer

By Andrew Bolger

DIFFICULTIES OF selling businesses in the present climate were illustrated in a management buy-in announced by Lionheart, the housewares and retail display systems group which is being extensively restructured.

Lionheart said it inherited Kinch and Lack, a menswear and schoolwear retailer, as part of the previous portfolio of businesses and had decided it was no longer central to the group's strategy.

Due to difficult market conditions it had not been possible to sell the company, although several deals had been close to completion.

The buy-in involves Mr Les Stephen and Mr Martyn Gates, both formerly of Debenhams, who are paying £60,000 cash for a 10 per cent stake in the company, with an option to buy the remainder during a three-year period.

Mr Paul Lever, Lionheart chairman, said: "This innovative response gives us an experienced management team to take Kinch and Lack forward so that it can make a positive contribution to Lionheart. We are not prepared to sell the company at a discount and this solution is beneficial to all concerned."

BOARD MEETINGS

TODAY

Interims- Angle Ltd, BTP, Channel Express, Charles Hooper, Crosby (James), Dartmoor Inv Trust, Gibbon Lyons, Great Universal Stores, Greycoat, Joseph (Leopold), Macdonald Martin Distilleries, Latham (James), Scapa, Security Archives, Smith New Court, Throgmorton Dual Trust, Tiphook, Wellman.

Finals- Archer (A.J), Brown & Tawse, Euromoney Publications, Grand Metropolitan, Hanson, Lovell (YJ), Murray Enterprise, Pilkington, Tunstall.

FUTURE DATES

Interims-
Glass .... Feb. 28

Finals-
Doctus .... Dec. 13
Gaynor .... Dec. 7
Sanderson Electronics .... Dec. 7

NEWS DIGEST

Cape bucks trend to top £10m

CAPE, the building products, structural and industrial services group, defied the slump in the building industry with a 19 per cent increase in pre-tax profits from £8.42m to £10.02m in the six months to September 30.

The turnover of the continuing businesses was £94.4m compared with £78.4m.

Mr Jeffrey Herbert, chairman, said the strong performance was achieved in spite of difficult trading conditions experienced by the UK operations and Cape East, which had been affected by instability in the Gulf.

In spite of this, turnover of building and architectural products was up from £33.36m to £39.91m with operating profits of £6.4m (£6.26m). Industrial services increased turnover from £45.56m to £54.96 and operating profits from £2.42m to £2.74m.

Cape's prior tax losses and the recoverable ACT have largely been utilised causing a sharp increase from 15 per cent to 26 per cent in the tax charge.

Earnings showed a marginal increase from 13.7p to 14p per share and the interim dividend is raised from 2.5p to 3p.

Improvement in margins at JLI

Profits of JLI Group, the USM-quoted food distributor and processor formerly known as Jack L Israel, rose from £881,000 to £957,000 pre-tax for the six months ended September 30.

The interim dividend is increased to 1.43p (1.3p) paid from earnings of 3.4p (3.1p) per 20p share.

Turnover advanced to £45.33m (£37.6m) and at the operating level, margins improved from 3.6 per cent to 4.2 per cent. Interest charges accounted for £487,000 more at £964,000.

The directors said that the second half had begun well in all areas, and particularly in the food processing divisions.

They added that the group's strong balance sheet and useful spread of activities within the food sector gave them confidence for a successful outcome for the full year.

Anglesey gears up for Parys mine

Anglesey Mining has said that a full feasibility study indicated that a viable base metals mining operation could be established at Parys Mountain on the island of Anglesey and it had started discussions to raise the finance necessary for the project.

A full-scale mining operation would cost up to about £20m, including new capital equipment.

Anglesey expects to receive some grant aid and to raise cash from forward sales of metals concentrates as well as from the banks for the project.

Mr Malcolm Swallow, mining director, said he hoped financing would be in place by next February.

From then, it would then take about one year for production to start.

The feasibility study confirmed Anglesey's current estimate that geological reserves at Parys Mountain total 6.45m tonnes grading 2.34 per cent copper, 2.6 per cent lead, 5.35 per cent zinc and 39 grammes per tonne silver and 0.32 grammes per tonne gold. The company expects that this reserve will ensure a project life exceeding 18 years.

Difficult market hits Rowlinson

Tough conditions in the property market, particularly in the London area, knocked back pre-tax profits at Rowlinson Securities from £1.2m to £966,000 in the six months to September 30.

Sales in the development and contracting divisions slumped from £3.76m to £1.86m, but gross rents improved from £940,000 to £1.16m.

Mr Peter Rowlinson, chairman, said that the disposal and letting of completed schemes was slow and it might be some time before all stock was realised.

As a result, the group was no longer capitalising interest charges on completed schemes.

Planning permission had been received for office and industrial developments at Southwark, Poynton, Westhoughton and Leeds, but they would only be started when the market improved or a tenant was found.

Earnings per share fell to 5.03p (6.27p) but the interim dividend is again 0.24p.

Allen held back by interest charge

Allen, the USM-quoted contractor, plant hirer, housebuilder and property investor and developer, yesterday reported a 19 per cent improvement to £2.96m in operating profits for the six months to end-September.

Donald Greenhalgh: high level of activity in second half

However, sharply higher interest charges of £390,000 (£97,000) left the pre-tax balance just 8 per cent higher at £2.56m and margins slightly ahead at 7.25 per cent (6.9 per cent).

Turnover totalled £35.28m (£34.03m).

The interim dividend is maintained at 1.6p from earnings of 7.4p (7.2p).

Mr Donald Greenhalgh, chairman, said the second half had started with a high level of activity, a strong balance sheet, low gearing and interest charges well covered.

Caffyns slows to £607,000

Caffyns, the Sussex-based motor dealer, reported taxable profits down from £652,000 to £607,000 for the half year to September 30, although turnover firmed slightly from £69.62m to £70.25m.

Improved performance of Rover franchises led to a jump in net trading profits from £245,000 to £607,000.

However this time, there were no exceptional items, unlike the previous interim when £407,000 was earned on disposals of properties.

Earnings per share were 14.8p (16.2p).

The interim dividend is maintained at 5p.

Strong order books at John Tams

John Tams Group, the USM-quoted earthenware and bone china company, yesterday unveiled profits of £1.17m pre-tax for the six months to September 30.

The outcome – achieved on turnover ahead 22 per cent to £9.46m – compared with profits of £873,000 at the previous interim stage and £2.52m in the last full year.

Mr Gerald Tams, chairman, said that the result reflected maintained margins and the containment of interest charges – £250,000, against last time's £248,000.

Order books were strong throughout the group, he added, with a forward order of £3.5m.

"We have the right products and we are strong in the right markets . . . we have the available space and tested systems to enable us to expand production capacity at reasonable cost as soon as demand requires," Mr Tams maintained.

The interim dividend is raised 15 per cent to 1.59p, payable from earnings of 3.6p (2.88p) per 10p share.

Cautious outlook at revamped Casket

Casket, which has recently undergone a far-reaching reconstruction under new management, returned profits of £27,000 pre-tax for the six months to September 30.

The company, with interests in clothing, leisure products and home furnishings, has changed its year-end and the figures compare with losses of £1.89m for the half year to end-December 1989.

Turnover was down from £51.83m to £39.45m but directors said that because of the year-end change and disposals of non-core businesses, turnover comparisons were not meaningful.

They added, however, that retained businesses showed a reduction in turnover of some 17 per cent with a consequent decrease in working capital requirements.

No interim dividend is being paid but the directors said they would anticipate paying a final – a nominal 0.1p was paid for the nine months to end-March 1990.

With the group's current trading operations directly linked to UK retailing, the likely outturn for the year as a whole was likely to be towards the lower end of directors' expectations.

Waverley Cameron moves for BTS

Waverley Cameron, the retailing, distribution and marketing services company, has made a recommended £4.3m offer for BTS Group.

The share exchange offer for the USM-quoted office services group consists of 186.5 Waverley for every 100 BTS. For every 105 BTS convertible redeemable preference shares, holders have also been offered 186.5 new ordinary Waverley shares.

BTS also released results for the six months to the end of September, showing pre-tax profits little changed at £178,000 (£173,000), in spite of a fall in turnover from £9.31m to £8.07m.

Earnings per share dropped to 0.59p (1.52p).

Fleming Intl High Income advances

A rise in unfranked dividend income from £693,000 to £2.08m enabled Fleming International High Income Investment Trust to record an improvement in available revenue of £1.21m to £2.02m for the six months to end-November.

Earnings totalled 1.81p (0.72p) per share and shareholders are to receive an interim dividend of 1p (0.65p), plus the special 0.8625p (0.05p) dividend already announced.

COMMODITIES AND AGRICULTURE

Oil stocks put at 8-year high

By Steven Butler

THE WORLD appears comfortably supplied with crude oil as it enters the northern hemisphere winter months, when consumption normally rises sharply.

The International Energy Agency, the Paris-based organisation that co-ordinates energy policy for 21 industrialised countries, yesterday reported that stocks on land as of October 1 were 477m tonnes, amounting to 98 days forward consumption. This is the highest level at this time of year, in terms of forward consumption, since 1982.

The relatively comfortable oil supply situation has resulted from a rapid increase in oil production by certain members of the Organisation of Petroleum Exporting Countries, especially Saudi Arabia, after Iraq's invasion of Kuwait. Meanwhile consumption has declined in the face of higher prices and slower economic growth in the US.

World oil supplies, outside of the former socialist bloc countries, reached 53.8m barrels a day in November, the highest level since May, in spite of the loss of about 4.3m b/d a day of Iraqi and Kuwaiti exports. Opec production reached 22.9m b/d, up from 22.3m b/d in October. The IEA noted that Saudi wellhead production had been reported at more than 8m b/d, although it said exports during October were tallied at 7.9m b/d based on tanker sightings. Iranian production rose by about 400,000 b/d to 3.3m b/d.

The IEA revised downward its estimates for net exports from the former socialist countries to 1.6m b/d in the fourth quarter. Soviet exports to the industrialised countries have declined to 1.4m b/d, compared to an average of 1.7m b/d in the first nine months of the year. The effect of this decline, however, has been partly offset by increased deliveries of Soviet oil to India and by a decline of deliveries of non-Soviet oil to eastern Europe.

The IEA reports a relatively strong 3.5 per cent growth in third quarter demand in the industrialised countries but attributed much of the gain to consumers stocking up.

OIL PRICES fell sharply yesterday following unconfirmed reports that Iraq may be willing to withdraw from most of Kuwait's territory. Brent crude oil for January delivery closed off $1.20 at $32.80 a barrel.

Nymex aims to head off price panic

By Barbara Durr in Chicago

THE BOARD of directors of New York Mercantile Exchange, the US energy futures market, was last night considering a proposal to impose oil price movement limits in response to rising concern about panic in the market if a shooting war were to start in the Gulf.

Nymex is proposing that if the crude oil futures price moves more than $7.50 in the contracts of the first two months, a trading halt of one hour would be imposed across all contract months. When trading resumes, if the crude futures price moves an additional $7.50 a price limit would be imposed, whereby trading could continue but only at the limit or below it.

This would effectively restrict one day price movements to $15 per barrel.

The halts are designed to give the market time to digest news and collect additional margin call monies.

While the Nymex board could amend the proposal at its meeting last night, some scheme of circuit breakers was expected. The Commodity Futures Trading Commission the plan was likely to receive its approval.

Redrawing the corporate map of the banana world

Two big market players could be up for sale at the same time, writes **Barbara Durr**

WHEN EAST Germans first poured over the West German border last year, one of their favourite purchases was bananas. That sign of the vast potential of eastern European markets made mouths water at the big three of the banana industry – Chiquita Brands International, Dole and Del Monte.

Yet, just when the banana business looks better than ever, it faces an improbable corporate realignment. If parent company Polly Peck International is forced to sell Del Monte, the world's third largest banana marketer, it will have to compete for buyers with Dole, the food division of Castle & Cooke and the second largest distributor of bananas.

In the world of bananas, this is the equivalent of putting Chrysler and Ford on the block, while Chiquita, the industry's General Motors, can either gobble one up or snatch some marketing advantage while its two main competitors grapple with uncertainty.

Having both for sale at the same time will drive down the price that each could fetch, says Mr John McMillin, an analyst with Prudential Bache Securities.

Bananas, once the humblest member of the exotic fruit family, have picked up cachet in recent years as attention to health and diet has grown.

Banana market shares (per cent)	N America	Europe	Japan
Chiquita	29	43	22
Dole	29	13	21
Del Monte	17	10	21
Others	25	34	36

Source: Prudential Bache Securities and Chiquita Brands

Touted as the ideal fruit for the health conscious because of its ability to replace potassium and other minerals used up in exercise, banana consumption in the US has increased from just over 17 lb per capita in 1970 to about 25 lb today.

Mr Robert Moore, president of the Washington-based International Banana Association, says, "You're looking at a very healthy industry." Global company revenues from bananas for the big three and other marketers are estimated by analysts at more than $4bn this year. He says that of the many fresh fruits benefitting from the healthy diet wave bananas have enjoyed the most consistent advances in sales.

While apples, pineapples, strawberries, pears, kiwis and grapes, have also posted impressive gains, a key factor favouring bananas is price. Although an extraordinary jump of 8 per cent in world demand during the last two years has kept banana prices relatively high, they remain consistently the best buy in the fresh fruit section, often at a third or less of the price of apples and pears. And they are available all year round.

In the US, per capita consumption of fresh fruit rose from 79.4 lb in 1970 to 96.6 lb in 1989, according to the Department of Agriculture.

The overall increase is welcome by the big three of bananas who also carry other fresh fruit lines. But the battle among the three companies is chiefly over bananas. Together the three control 70 per cent of the world market, with Chiquita claiming 35 per cent, Dole 20 per cent and Del Monte 15 per cent, according to 1990 estimates by Pru Bache.

Yet even with apparently golden prospects ahead for bananas, analysts are dubious that there will be a rush to buy Dole or Del Monte. There are downsides to the fresh fruit business that could put investors off.

Supplies are subject to weather, labour actions and political events in such Third World countries as Honduras and the Philippines. Currency fluctuations in foreign markets and dramatically rising fuel costs for shipping are also factors. Trade issues could also enter the picture if former colonies in the Caribbean and Africa succeed in pressuring the European Community into setting quotas for post 1992 to ensure the viability of their fragile banana-dependent economies.

Chiquita, which was outbid for Del Monte by Polly Peck, is the only declared bidder for Dole. It revealed in September – before the possibility of a new sale of Del Monte arose – that it was interested in acquiring Dole, though there are doubts the move would get past US anti-monopoly watchdogs.

The bid for Dole by Chiquita, controlled by the Lindner family of Cincinnati, was put at $1.5bn. Other potential bidders have not been publicly identified, but there is speculation that a few deep-pocketed Japanese trading companies might be interested. The sale of Del Monte could similarly attract them.

Mr Larry Selwitz, an analyst with Cruttenden & Company, believes that Mr David Murdock, chairman of Castle & Cooke, is keen to sell Dole. Given the paucity of bank lending for real estate at present, the sale would provide investment funds for C & C's undervalued real estate business, Oceanic Properties.

Mr McMillin at Prudential Bache notes that if flush investors buy cheap entry into the business through Dole or Del Monte and aggressively push for market share, it could lead to a marketing war that would hurt all players.

Banana wars can get ugly, as Fyffes, the Irish-controlled distributor, found out earlier this year when it attempted to take on Chiquita, which holds virtually monopoly control of bananas in Honduras. Some of its shipments were derailed, others thrown overboard at port by armed men and after some machete waving and a knotty legal battle an out-of-court settlement was arranged for 40 per cent of local production to go to Fyffes this year. Next year a free market is promised and plenty of muscle is likely to be used.

Fyffes, which had also been a bidder last year for Del Monte, could only re-emerge as a bidder if Del Monte were to come extremely cheap. It is averse to debt and already has a lot on its plate with Honduras. Entrants to this industry have to have a taste for pretty rough cut and thrust.

Russian land ownership plan defies Gorbachev

By Quentin Peel in Moscow

WHEN THE Russian Congress of Deputies passed a new law this week on agriculture and land ownership, both conservatives and radicals hailed it as a victory. Mr Boris Yeltsin, president of the Russian parliament, and the leading radical rival to President Mikhail Gorbachev, called it "historic".

Yet Mr Ivan Polozkov, arch-conservative leader of the Russian Communist Party, expressed his satisfaction, and said the whole package was a "step forward".

At the heart of the debate is a crucial clause which allows, for the first time since the Bolshevik revolution, a form of private land ownership. Yet at the same time it is hedged around with restrictions which may, its critics fear, negate the whole purpose of the reform.

"Russia has again set an example for other union republics to follow," according to Moscow's evening newspaper, Vechernyaya Moskva. The land ownership clause was "a triumph of reason, will and audacity."

Trud, the trade union newspaper, was far more sceptical. For 10 years from the date of purchase, sales of private land will be banned. Thereafter, buyers can only sell it back to the local soviet, or council. There will be no property market. "So they intended to give the land to the peasants, but they gave it to the local authority instead," Trud said. "The problem is, will that truncated ownership be able to attract working hands to our desolate villages?"

There is no doubt that the radicals' glee at the passage of the clause was partly due to it being in the face of open hostility from Mr Gorbachev, who finally came out in the open and said he opposed any form of private land ownership. He has called for a national referendum on the subject.

Loyal Communist Party deputies were all summoned to party headquarters on Moscow's Staraya Ploshad on the morning of the debate, and instructed to kill the clause. Pravda, the party newspaper, came out with an opinion poll purporting to show that 83 per cent of farm hands, and 88 per cent of farm managers and specialists, were against private land ownership.

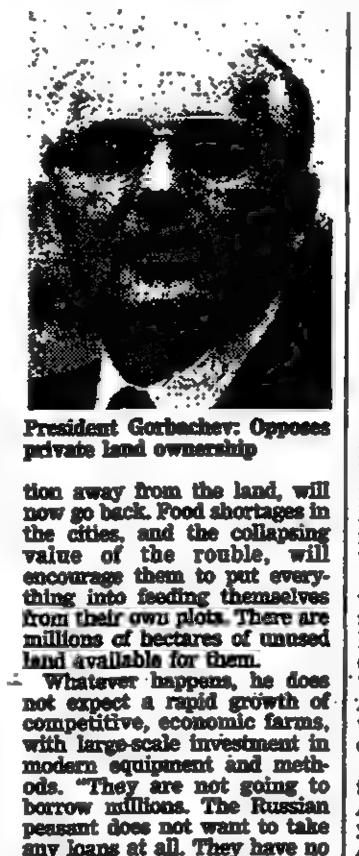
The end result was a statement by the congress confirming "the equality of multiple forms of property: state, collective-co-operative, private and collective-shareholding."

Land plots will be sold or granted by local councils only for food production, they may be inherited, but otherwise can only be sold back to the local council after a minimum period of 10 years.

Mr Yuri Chernichenko, one of the most outspoken agricultural reformers among the deputies, admits it is not the last word, but still believes it was a critical victory. "This was the battle of Kulikov, where Russians first defeated the Tartars in 1380," he said. "But in reality they were not finally defeated for 150 years, when Kazan was captured."

The very use of the words "private property" he sees as fundamental. "You will not understand it until you realise it is almost a religious document. The key word is private. That alone is a revolution."

He admits that the rural population is old and dispirited. But he is convinced that young city-dwellers, just one generation away from the land, will now go back. Food shortages in the cities, and the collapsing value of the rouble, will encourage them to put everything into feeding themselves from their own plots. There are millions of hectares of unused land available for them.



President Gorbachev: Opposes private land ownership

Whatever happens, he does not expect a rapid growth of competitive, economic farms, with large-scale investment in modern equipment and methods. "They are not going to borrow millions. The Russian peasant does not want to take any loans at all. They have no intention of borrowing a penny. Everything they do will be with their own hands. We are talking about primitive, stone-age agriculture. It's a fact of life here."

Farm profits wither in Argentina

1990 is turning into a nightmare for farmers, writes **John Barham**

COMPLAINING COMES naturally to farmers everywhere, but it is clear that 1990 really is turning into a nightmare year for Argentina's farmers.

The billion dollar subsidies that the US and the European Community throw at their agricultural sectors are depressing export prices below the level that even Argentina, blessed with some of the finest farmland in the world, can bear. Farmers have blocked roads, burning tyres and wheat in protest at the subsidies and government policies that are wiping out their profits.

"We are concerned by the very intransigent attitude of the Community," says Mr Eduardo de Zavalia, president of the Argentine Rural Society. "We are worried and bothered. Argentina cannot compete with the treasuries of the developed world."

Government officials claim the subsidy war is costing Argentina over US$3.5bn a year. The price of wheat, Argentina's leading agricultural export, has crashed to $85 a tonne from $150 last year. In comparison, it costs an average $100 to grow a tonne of wheat in Argentina and $120-150 in North America. The government is considering ordering the National Grain Board to intervene in the local market in attempt to drive prices up.

Meanwhile, anti-inflation policies have raised farmers' costs and reversed the depreciation of the austral, Argentina's currency, which had previously boosted the value of dollar export earnings. But the austral's appreciation is still being outstripped by inflation, with the result that the real value of export earning has fallen by more than half.

Crop Production (million tonnes)	1990-91*	1989-90
Wheat	11.6	10.15
Maize	6.95	5.0
Soyabeans	10.0	11.0

* Forecast. Source: Buenos Aires Grain Exchange

Farm leaders are pressing for further reductions in taxes to ease their difficulties. The government has already removed all wheat export taxes and has promised progressively to reduce export taxes on other products. Costs at most Argentine farms are so low that the government has traditionally appropriated part of their once-huge profits as an income tax.

The farmers have also begun an assault on indirect taxes on fuel. Abolishing the 37 per cent fuel tax would lower farm costs by about 12 per cent. Prices for other inputs, like seeds and fertilisers, are tied to the dollar so they have less impact on costs.

Farmers have increased output of most of their key grains, encouraged by the fat profits they made last year as a result of a plunging currency, hard prices and financial speculation. However, Mr Osvaldo Sarachu, economic analyst at Coninagro, a group of farm co-operatives, warned "a fall in production will become clear in 1991 because I doubt anyone will make money this year and because international prices are unlikely to rise."

Beef and oilseed producers have escaped the subsidies war almost unscathed, but are still crippled by the strong austral. Soyabean output has climbed over the years, as has production of soyabean oil and last year Argentina was the world's leading oil exporter. However, the EC has sold subsidised beef to Brazil and threatens to replace wheat subsidies with import restrictions on oilseeds, closing a key Argentine market. Fortunately, the Brazilians are abandoning attempts to become self-sufficient in wheat and have resumed imports from Argentina.

Government officials are also concerned that Moscow's worsening problems will force it to reduce wheat imports. The Soviet Union, together with China, is the world's largest wheat importer. It only took 9 per cent of Argentine exports last year but lower Soviet imports would inevitably depress world prices.

Farmers, like many Argentines, are making ends meet by repatriating some of the flight capital they have salted away in foreign banks. And of course that only serves to strengthen the austral further. The rising austral has also raised the cost of investment, because farmers, like all Argentines, keep an estimated 95 per cent of their savings in dollars. The dearth of investment means that farm equipment is increasingly obsolete and that yields are in decline.

It also means there is little credit available for storing farm produce or for financing exports, forcing farmers to sell on cash terms almost as soon as the harvest is in, when prices are low.

WORLD COMMODITIES PRICES

MARKET REPORT

Tin prices continued this week's downtrend on the LME yesterday, closing at a new contract low. The $65 fall to $5,735 for cash metal reflected lessening concern over a nearby supply squeeze, dealers said. In addition, LME stocks, already at their highest since trading restarted, are expected to continue rising. London robusta coffee closed ahead following Tuesday's sharp rise in New York arabica prices on threats of a dock strike in Colombia and reports of hot, dry weather in Brazil. However, New York was meeting stiff overhead chart resistance around 92 cents a lb yesterday at midday. London cocoa prices retreated further on long liquidation. Trading was nervous with Monday's posting of tenders for about 62,000 tonnes of physical cocoa for December delivery continuing to weigh on sentiment, as did uncertainty about Soviet purchasing intentions. On the London bullion market gold fell sharply towards the close as heavy selling by New York professionals took London by surprise. On the BFE freight futures rose sharply early, only to meet profit taking later. The index has now risen for 16 consecutive days to stand at its highest since April 19 at 1,430.

Compiled from Reuters

London Markets

SPOT MARKETS		+ or -
Crude oil (per barrel FOB)		
Dubai	$24.35-4.65v	-1.10
Brent Blend (dated)	$30.20-0.30	-1.25
Brent Blend (January)	$28.75-8.85	-1.20
W.T.I. (1 pm est)	$28.52-8.55v	-1.25
Oil products (NWE prompt delivery per tonne CIF)		
Premium Gasoline	$280-5	-5
Gas Oil	$303-5	-11
Heavy Fuel Oil	$143-5	
Naphtha	$288-8	-10
Petroleum Argus Estimates		
Other		
Gold (per troy oz)♣	$373.75	-4.50
Silver (per troy oz)♣	415.2c	-1.2
Platinum (per troy oz)	$431.50	-0.75
Palladium (per troy oz)	$93.10	+0.10
Aluminium (free market)	$1500	-5
Copper (US Producer)	116c	
Lead (US Producer)	50c	
Nickel (free market)	378c	-6
Tin (Kuala Lumpur market)	15.32r	-0.05
Tin (New York)	285c	-4
Zinc (US Prime Western)	70c	
Cattle (live weight)†	105.04p	+1.40*
Sheep (dead weight)†	148.37p	+8.22*
Pigs (live weight)†	74.80p	+2.36*
London daily sugar (raw)	$251.2w	-2.0
London daily sugar (white)	$304.8w	-2.2
Tate and Lyle export price	£238.00	-2.0
Barley (English feed)	£122.5u	+4.5
Maize (US No. 3 yellow)	£163.5	
Wheat (US Dark Northern)	£81u	
Rubber (Jan)♥	50.75p	
Rubber (Feb)♥	51.00p	
Rubber (KL RSS No 1 Jan)	241.0m	-0.5
Coconut oil (Philippines)§	$335.0z	-15.0
Palm Oil (Malaysian)§	$335.0v	-15.0
Copra (Philippines)§	$237.5x	-12.5
Soyabeans (US)	£145.0	-1.0
Cotton "A" index	82.80c	
Wooltops (64s Super)	412p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Feb. v-Jan. w-Dec/Jan z-Jan/Feb. x-Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)				
Raw	Close	Previous	High/Low	
Mar	220.00	217.00	220.60	215.60
May	221.80	218.40	222.00	218.00
Aug	224.80	221.80	225.00	220.20
Oct	224.20	221.80	224.80	228.00
Dec	224.40	221.80	219.80	
Mar	227.00	223.00	222.00	
White	Close	Previous	High/Low	
Mar	304.2	301.5	305.0	300.0
May	303.7	301.5	304.2	300.6
Aug	309.0	308.7	309.5	305.4
Oct	290.5	288.7	291.3	287.1
Dec	286.5	285.2	287.2	283.4
Mar	286.5	285.7	287.3	284.4
May	288.5		287.5	

Turnover: Raw1487 (1859) lots of 50 tonnes. White 382 (683)
Paris- White (FFr per tonne): Mar 1549, May 1553, Aug 1591, Oct 1500.

CRUDE OIL – IPE ($/barrel)	Latest	Previous	High/Low	
Jan	28.00	30.70	30.25	27.85
Feb	26.80	29.10	28.90	26.60
Mar	26.00	27.90	27.50	26.00
Apr	25.70	26.40	25.70	25.50
May	25.60	25.05	25.60	
IPE Index	28.63	29.02	28.63	29.02

Turnover: 13182 (33119)

GAS OIL – IPE ($/tonne)	Latest	Previous	High/Low	
Dec	290.50	300.25	298.00	290.50
Jan	271.00	279.50	278.00	270.00
Feb	254.00	262.50	261.00	254.00
Mar	236.50	244.50	243.00	236.50
Apr	220.00	227.75	227.50	220.00
May	216.50	222.00	220.00	216.50
Jun	211.00	218.00	216.00	211.00
Jul	207.00	215.75	216.00	207.00

Turnover 14092 (6452) lots of 100 tonnes

WOOL

The market in Australia continues to improve. Trade purchases are begining to creep above the 60% mark, and officials have been talking of growing confidence and resumed interest in 1991. More particularly, the Australian mission to the USSR is hopeful of a Russian return. In Bradford and other wool using markets business has been better. In some cases prices have been quite sharply advanced, [illegible] British wool where there is limited auction availability until after Christmas. British top quotations moved up 7p or 8p per kg. last week, and are up again by another 5p.

COCOA – London FOX (£/tonne)	Close	Previous	High/Low	
Dec	[illegible]	[illegible]	657	643
Mar	704	711	714	700
May	739	740	742	730
Jul	755	764	[illegible]	[illegible]
Sep	777	785	786	776
Dec	808	809	812	804
Mar	826	830	838	825

Turnover: 3773 (10311) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec 4 [illegible] ([illegible]) 10 day average for Dec 5 [illegible] (681.35)

COFFEE – London FOX (£/tonne)	Close	Previous	High/Low	
Jan	660	646	672	647
Mar	603	603	615	603
May	605	601	609	602
Jul	616	610	616	613
Sep	626	635	632	627
Nov	645	645	647	644

Turnover: 3972 (8880) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec 4 : Comp. daily 72.75 (70.73). 15 day average 70.10 (69.86)

POTATOES – BFE (£/tonne)	Close	Previous	High/Low	
Apr	138.0	138.2	138.4	138.0

Turnover 80 (77) lots of 40 tonnes.

SOYABEAN MEAL – HI-PRO (£/tonne)	Close	Previous	High/Low	
Feb	119.50	120.00	119.50	
Apr	121.50	122.00	[illegible]	[illegible]
Jun	122.00	122.50	122.00	

Turnover 145 (86) lots of 20 tonnes.

FREIGHT FUTURES – BFE ($10/index point)	Close	Previous	High/Low	
Dec	1445	1410	1440	1425
Jan	1365	1380	1405	1380
Apr	1316	1310	1335	1330
Jul	1084	1080	1070	1064
Oct	1165	1160	1165	
BFI	1430	1398	1430	

Turnover 409 (785)

GRAINS – BFE (£/tonne)				
Wheat	Close	Previous	High/Low	
Jan	120.70	120.70	120.70	120.40
Mar	123.95	123.95	123.95	123.60
May	127.45	127.30	127.45	127.00
Sep	108.65		108.50	
Barley	Close	Previous	High/Low	
Jan	116.65	116.80	116.80	116.65
Mar	120.05	120.00	120.00	119.95
May	121.20		[illegible]	[illegible]

Turnover: Wheat 148 (176), Barley 81 (101).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg	Close	Previous	High/Low	
Jan	87.0	88.0	87.0	86.5
Feb	88.5	89.0	88.0	
Mar	92.5	93.0	92.0	
Apr	95.0		94.8	
May	96.0		95.5	95.0

Turnover 44 (19) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 15,537 lots
Cash	1498-1500	1492-4	1498	1497-8		
3 months	1535-4	1525-7	1546/1531	1531-2	1545-6	59,163 lots
Copper, Grade A (£ per tonne)						Total daily turnover 28,904 lots
Cash	1287-8	1290-2	1290/1288	1288-9		
3 months	1296-7	1300-1	1298/1281	1281-2	1298-9	111,981 lots
Lead (£ per tonne)						Total daily turnover 3,844 lots
Cash	330-1	332-4	330/327	327-8		
3 months	339-40	341-2	345/335	337-8	338-9	10,632 lots
Nickel ($ per tonne)						Total daily turnover 2,089 lots
Cash	8150-75	8285-75	8150-8125	8125-50		
3 months	8025-05	8075-80	8100/7950	8000-10	8025-60	8,178 lots
Tin ($ per tonne)						Total daily turnover 2,013 lots
Cash	5730-40	5790-810	5700/5680	5770-80		
3 months	5790-5	5830-40	5830/5750	5810-20	5745-55	9,741 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 5,884 lots
Cash	1243-5	1244-6	1245/1244	1244-5		
3 months	1233-4	1233-4	1240/1233	1233-4	1238-40	20,016 lots

LME Closing £/$ rate: SPOT: 1.9275 3 months: 1.9200 6 months: 1.9022 9 months: 1.8851

[illegible] – London FOX	Close	Prev.	High	Low	Vol
[illegible]	155.80	157.20	155.80		
Dec	156.80	158.70	158.30	157.00	16
Jan	158.80	158.40	157.70		67
Feb	156.70	158.40	157.50		102
Mar	158.50	157.70	156.50		58
Jun	158.50	157.90	157.00	156.60	168
Sep	158.50	157.70	158.00		56

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	373.50-374.00	
Opening	378.80-379.20	
Morning fix	377.30	194.816
Afternoon fix	376.00	194.860
Day's high	378.80-379.00	
Day's low	371.50-374.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	4.99	6 months	4.95
2 months	4.98	12 months	4.85
3 months	4.97		

Silver fix	p/fine oz	US cts equiv
Spot	214.45	415.20
3 months	227.45	433.15
6 months	226.05	431.15
12 months	240.85	447.35

TRADED OPTIONS				
Coffee	Jan	Mar	Jan	Mar
600	67	41	7	38
650	34	23	24	70
700	15	12	55	109
Cocoa	Mar	May	Mar	May
650	74	102	20	19
700	45	70	42	57
750	27	45	73	82
Brent Crude	Jan	Feb	Jan	Feb
3300				
3350				
3400		210		

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
Dec	374.2	378.9	380.5	372.0
Jan	374.9	378.6	0	0
Feb	375.8	380.5	381.6	374.1
Apr	378.6	383.5	384.8	377.5
Jun	381.3	386.6	387.8	380.0
Aug	384.0	389.6	389.9	385.0
Oct	388.1	392.8	392.8	392.8
Dec	391.3	396.1	395.3	394.0
Feb	394.6	399.4	0	0

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Dec	422.5	420.3	0	0
Jan	425.2	426.0	429.0	424.0
Apr	429.8	431.0	432.8	429.0
Jul	433.5	434.8	[illegible]	434.5
Oct	437.3	438.5	440.3	440.3
Jan	442.3	443.5	0	0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
Dec	414.8	415.1	416.0	413.5
Jan	418.3	416.8	419.8	419.0
Feb	419.8	420.4	0	0
Mar	423.8	424.3	425.9	421.0
May	429.8	430.3	431.5	428.0
Jul	435.9	436.2	437.0	434.5
Sep	441.4	442.0	0	0
Dec	449.6	450.2	452.0	449.0
Jan	451.8	452.4	0	0
Mar	458.3	458.9	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Dec	111.80	112.95	112.60	111.15
Jan	110.50	110.80	110.60	109.60
Feb	109.00	109.20	109.20	108.50
Mar	107.15	107.00	107.70	105.75
Apr	106.45	106.20	106.00	105.60
May	105.55	105.20	105.70	104.75
Jun	104.05	104.40	0	0
Jul	103.95	103.40	104.20	103.60
Aug	103.55	103.00	0	0
Sep	102.85	102.40	103.20	102.80

CRUDE OIL (Light) 42,000 US galls $/barrel	Latest	Previous	High/Low	
Jan	28.30	30.88	30.45	28.15
Feb	27.85	29.88	29.70	27.85
Mar	27.15	28.96	28.80	27.00
Apr	26.45	27.96	27.80	26.40
May	25.70	26.99	26.90	25.65
Aug	24.40	25.15	24.60	24.54
Sep	24.00	24.81	24.60	24.00
Oct	24.00	24.62	24.00	24.00

HEATING OIL 42,000 US galls, cents/US galls	Latest	Previous	High/Low	
Jan	8165	8690	8720	8140
Feb	7991	8081	8400	7991
Mar	7482	7882	7900	7482
Apr	6992	7302	7380	7000
May	6700	7087	7080	6750
Jun	6465	6862	6860	6452
Jul	6400	6772	6670	6400

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
Dec	1197	1197	1200	1188
Mar	1236	1236	1248	1220
May	1277	1278	1282	1263
Jul	1308	1306	1315	1300
Sep	1346	1339	1346	1346
Dec	1378	1379	1379	1377
Mar	1412	1413	1413	1398

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
Dec	88.00	88.00	89.20	88.00
Mar	91.35	90.95	92.25	90.45
May	93.45	92.85	94.25	92.70
Jul	95.75	95.00	96.25	95.00
Sep	98.00	97.00	98.20	97.00
Dec	100.60	100.00	100.60	0
Mar	101.05	100.00	103.00	99.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
Mar	9.87	9.71	9.92	9.68
May	9.93	9.79	9.98	9.78
Jul	9.99	9.82	10.01	9.82
Oct	9.96	9.83	9.96	9.80
Mar	10.07	9.92	10.07	10.07

COTTON 50,000; cents/lbs	Close	Previous	High/Low	
Dec	76.20	75.90	76.20	75.91
Mar	73.63	73.68	74.02	73.61
May	73.38	73.48	73.60	73.33
Jul	73.22	73.35	73.50	73.20
Oct	67.90	67.73	0	0
Dec	65.40	65.27	65.45	65.20
Mar	66.10	66.11	66.20	66.20

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
Jan	108.80	107.70	108.65	107.90
Mar	111.15	110.35	111.35	110.60
May	112.75	112.00	112.75	112.00
Jul	114.45	113.00	114.45	113.50
Sep	114.45	113.00	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)	Dec 5	Dec 4	mnth ago	yr ago
	1715.2	1712.8	1697.8	[illegible]

DOW JONES (Base: Dec. 31 1974 = 100)	Dec 4	Dec 3	mnth ago	yr ago
Spot	122.80	123.05	123.37	127.10
Futures	124.42	123.93	127.84	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
Jan	592/4	601/2	601/4	591/4
Mar	606/6	616/2	618/4	606/0
May	621/2	629/4	629/4	620/4
Jul	632/6	640/6	641/0	631/2
Aug	634/6	640/0	640/4	634/4
Sep	625/0	629/6	630/0	624/4
Nov	622/2	627/2	627/0	621/4

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
Dec	21.43	21.57	21.60	21.38
Jan	21.62	21.77	21.85	21.53
Mar	21.97	22.06	22.14	21.88
May	22.26	22.33	22.38	22.15
Jul	22.45	22.49	22.65	22.38
Aug	22.35	22.35	22.50	22.38
Sep	22.40	22.32	22.40	22.35
Oct	22.30	22.30	22.35	22.30

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
Dec	174.3	177.5	177.0	173.9
Jan	176.6	179.6	178.6	176.2
Mar	181.6	184.6	183.8	181.3
May	184.7	187.9	187.3	184.6
Jul	187.5	190.7	190.5	187.3
Aug	188.2	191.8	190.3	188.0
Sep	187.2	190.5	189.0	187.0
Oct	186.0	187.0	187.5	185.8

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
Dec	227/0	229/2	227/6	226/4
Mar	236/6	237/6	237/6	236/2
May	244/0	244/6	244/4	243/2
Jul	250/0	250/2	250/2	248/4
Sep	250/4	250/2	250/6	249/0
Dec	250/0	250/2	250/2	249/2
Mar	256/6	257/0	257/2	256/0

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
Dec	243/4	244/6	245/4	242/6
Mar	259/6	261/4	262/2	259/0
May	268/2	268/6	269/6	267/2
Jul	273/6	274/2	275/2	273/0
Sep	279/4	279/4	280/4	279/4
Dec	291/0	291/0	291/4	290/0

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Dec	79.07	78.60	79.10	78.75
Feb	75.20	74.90	75.35	74.90
Apr	75.62	75.72	76.05	75.65
Jun	73.72	73.57	73.85	73.47
Aug	72.05	72.05	72.37	72.05
Oct	72.15	72.15	72.30	72.10

LIVE HOGS 30,000 lb; cents/lbs	Close	Previous	High/Low	
Dec	49.62	49.30	49.92	49.30
Feb	47.77	47.25	47.95	47.50
Apr	45.62	44.77	45.55	44.90
Jun	49.10	48.85	49.30	48.80
Jul	49.15	49.05	49.43	49.00
Aug	48.07	47.80	48.25	[illegible]
Oct	43.40	43.25	43.86	43.15

PORK BELLIES 40,000 lbs, cents/lb	Close	Previous	High/Low	
Feb	64.10	63.90	64.90	63.60
Mar	63.15	62.90	64.00	62.55
May	63.22	63.05	64.00	62.95
Jul	62.62	62.60	63.70	62.62
Aug	60.15	59.70	61.10	60.15

Cadbury Schweppes MANAGEMENT PROVEN IN THE MARKET PLACE. Cadbury Schweppes MANAGEMENT PROVEN IN THE MARKET PLACE. Cadbury Schweppes MANAGEMENT PROVEN IN THE MARKET PLACE. Cadbury Schweppes MANAGEMENT PROVEN IN THE MARKET PLACE. Cadbury Schweppes

Barratt
Supplier of sweets to generations of children.

Fry's
The leading Turkish Delight brand in the UK.

MacRobertson
MacRobertson Cherry Ripe is a leading chocolate bar in Australia.

Welch's
Leader in the grape juice sector in Canada. Produced under licence.

OLD COLONY
Fruit drink brand in Puerto Rico.

Pascall
Major sugar confectionery manufacturer in Australia.

Kia-ora
Fruity squash popular with Kids and Mums.

Bassett's
Leading Liquorice Allsort, Jelly Baby and Dolly Mixture manufacturer in the UK.

HUESO
The leading confectionery countlines manufacturer in Spain.

Mr & Mrs "T".
The leading Bloody Mary mixer in the US.

Red Tulip
Leader in the Easter confectionery market in Australia.

Cottee's
The leading cordial brand in Australia.

oasis
The leading still fruit drink brand in France.

TriNaranjus SIN BURBUJAS
The leading still fruit drink brand in Spain and Portugal.

CANADA DRY
The World's no. 1 Ginger Ale.

CHOCOLAT Poulain
The leading dark chocolate brand in France.

ROSE'S REGD. TRADE MARK
The leading lime juice brand in the US and the UK.

MOTT'S
The leading apple products brand in the US.

SOLO
The leading lemon soft drink sold in Australia.

Crush
The leading carbonated orange soft drink brand in Canada.

Crystal
A leading sugar confectionery brand in Zimbabwe.

GINI
Well known lemon drink in France and Belgium.

Jamesons
Fast growing mint chocolate brand in the UK.

Sunkist
One of the most successful soft drink launches in the UK in the last 10 years. Produced under licence.

Lion
Range of Fruit Gums available in Northern UK markets.

Hires
The original Root Beer.

TREBOR
More mint sales in the UK than everyone else put together.

Pure Spring
Ginger Ale brand sold in Canada.

They're no competition for Cadbury Schweppes

They are Cadbury Schweppes.

There's more to Cadbury Schweppes than Cadbury and Schweppes. We've built up an enviable portfolio of successful brands, as you can see from this page. Combined with our experience in management in the soft drinks and confectionery markets, they helped to generate a pre-tax profit of £251 million last year. So while we can say they are no competition, our competitors certainly can't.

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LONDON STOCK EXCHANGE

No market glow from electricity sale

THE LAST minute rush of applications for shares in the electricity privatisation did nothing to stimulate excitement in the London stock market. Shares traded quietly within a narrow range around their opening levels. Upward pressures from an easing oil price and a steady Wall Street were balanced by uncertainty over the US attitude towards a military resolution of the Gulf crisis and the imposition of a noon deadline today for compromise in the fraught Gatt talks in Brussels.

Such activity as there was centred around two large programme trades and some busy "bed and breakfast" (tax-related) deals, all taking place early in the day. Trading then subsided to the lacklustre trickle of bargains typical of recent weeks. Subdued market-makers contemplated the latest round of City job losses: County NatWest cut 40 jobs "across the business".

Account Dealing Dates		
*First Dealings:		
Nov 19	Dec 10	Dec 31
Option Declarations:		
Dec 6	Dec 27	Jan 10
Last Dealings:		
Dec 7	Dec 28	Jan 11
Account Day:		
Dec 17	Jan 7	Jan 21

*New-time dealings may take place from 8.30 am two business days earlier.

The early deals pushed final trading volume to 520.9m, a figure which does not represent the level of profit available to market traders. Rather the reverse, because programme trades and bed and breakfasts are usually done at much lower margins than ordinary trading.

Equity strategists were concerned as to why turnover continued at such painfully low levels. Mr Trevor Laugharne at Kleinwort Benson said that fund managers acknowledged that UK equities looked undervalued both in a local and international context; dividend yields are at an eight-year high. But, said Mr Laugharne, funds seemed not to want to translate their views into actions.

Other analysts provided suggestions to justify this inactivity. They argued that the 1980s were exceptional and that 10-year comparisons were inadequate. Dividend yields during the 1970s were higher than in the subsequent decade, and the recent rise in yields has brought them back only to the average level of the last 20 years.

Some individual stocks did have sharp movements yesterday. The 21 per cent rise in the Bass final dividend went some way towards eliminating the disappointment over GEC's held dividend on Wednesday.

Oil majors were involved in the programme trades and bed and breakfast and showed high turnover. Their share price falls were, however, blamed instead on a lower oil price, in turn the result of overnight speculation of a possible compromise in the Gulf. The London market had closed before Mr James Baker, the US Secretary of State, said that force would be used "suddenly, massively and decisively" if Iraq refused to withdraw from Kuwait.

Internationally traded stocks such as Glaxo, Wellcome and BAT Industries benefited from a late rally in the dollar. The US currency had lost ground early in the day in the wake of the Federal Reserve's elimination of some reserve requirements for banks and also by the German Bundesbank's hints that it might tighten monetary controls. The advance in these large capitalisation stocks left the FT-SE 100 just below its best of the day at the close with a rise of 6.3 to 2,152.6.

Gilts paused for breath after steady improvement at the medium to long end. "The surprise is not that they are consolidating, but that they have risen to this premium over equities at all," said one strategist. Volume in the FT-SE futures contract rose to respectable levels again, boosted by investors rolling over December commitments to the March contract.

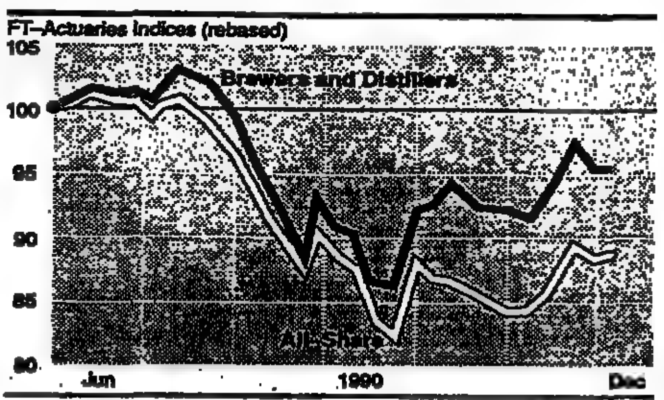
Sharp advance from Bass

BASS advanced firmly after beating analysts' forecasts with a 15 per cent year-end profits rise to £53m and a 21 per cent increase in the dividend. The shares recovered from weakness earlier in the week on fears over the company's exposure to the US hotels business and ended the day up 31 at 102p.

Bass accompanied the figures with a cautious statement. Several securities houses lowered their estimates for the company's profits in the current year on the basis of an increasingly gloomy outlook in both hotels and brewing.

BZW has revised its profits forecast for the current year to £600m from an earlier estimate of £615m and County NatWest is looking for £593m against £614m. Mr Nigel Popham at Teather and Greenwood forecasts £615m against a previous £640m and maintains a neutral stance on the shares. Both BZW and County, however, are retaining a positive stance on Bass, with BZW recommending a strong hold position and County judging it to be a buy.

The strength in Bass spilled over into the other issues in the sector, with GrandMet ahead 10 to 612p ahead of its results today and Whitbread 'A' gaining 4 to 448p.



The start of the brewing results season marks the end of a period where the sector's defensive qualities have stood it in good stead in a market fearful of recession. After better than expected figures from Bass yesterday, there are results today from Grand Metropolitan, from Scottish & Newcastle next Monday and from a clutch of second string brewers before the end of next week.

Reuters erratic

A presentation by Reuters at which the company announced it expected profits in 1990 to reach £20m, against £283m in 1989, failed to ease market concern arising largely from delays in the launch of new trading systems. BZW downgraded Reuters by 7 per cent from estimated profits of £360 to £335m in 1991.

Mr Brian Newman at Henderson Crosthwaite, however, expressed surprise at the market's reaction to the presentation, which he felt indicated that the company had strong cash generation and new products which could generate solid revenues by 1992.

Although Reuters went out of its way to reassure the market that it would meet analysts' expectations of £350m in profits in 1991, a cautious statement on trading conditions by Mr Glen Renfrew, its managing director, was enough to unsettle investors in London.

With the financial markets facing a slowdown and a major securities house announcing staff cuts yesterday, "people are concerned about the financial stability of [Reuters'] customer base", said Mr Newman. Reuters fell 15 to 601p before a more positive reception to the company's statements on Wall Street helped steady nerves in London, and left the shares unchanged at 616p.

Take profits advice

A toll was exacted on shares of RMC, the building materials alpha, yesterday for having performed strongly over the past month. During that period the share price has risen 18 per cent in absolute terms and 11 per cent relative to the market.

Against that background, and the troubled environment in the construction industry, Mr Howard Seymour of UBS Phillips & Drew, the investment bank, informed clients: "While we regard the shares as a good long-term buy, they have gone too far and we are advising to lock in profits." RMC replied by falling 18 to 655p.

Eurotunnel climbed 22 to 365p on news that its £532m rights offer had been 84 per cent taken up by investors in the UK. Results in France would be known on December 14. There had been speculation that a larger proportion of the issue would be left with the underwriters. Traders reported good demand for the rump of the issue.

Eurotunnel announced the three-for-five fully underwritten issue on November 2. It complements £2.1bn of additional funding that the group raised from its bankers on October 26.

Leeds continued to celebrate unexpectedly good annual results, the shares rising a further 7 to 195p. The textiles sector as a whole again was encouraged, and Courtaulds Textiles drew support which lifted the stock 5 to 244p.

Steetley shed 7 to 359p as Kleinwort Benson revised its profits estimate. Analyst Mr Jamie Stevenson confirmed the lowering of his forecast, but was reluctant to give details. "It is no major issue," he said.

News of a mid-term increase in both profits and dividend boosted Cape 13 to 181p. The chairman warned that high interest rates continue to depress the main markets for group products, but strong cash balances and expansion overseas should help cushion the effect of the recession in the UK.

Yorkshire Chemicals rebounded 8 to 303p, benefiting from successful presentations to institutional investors.

Burmah Castrol, the lubricants, fuels and chemicals group, bought a further 1.33m shares yesterday of its quarry, speciality chemicals manufacturer Foseco. It now holds a total of just over 23 per cent of the Foseco equity. Burmah closed 8 up at 485p, while Foseco remained at the overnight position of 296p.

Pearson drifted easier after Panmure Gordon, the broking house, reduced its estimate of group profits for the current year to £231.5m but raised its forecast for 1991 to £255m. Panmure blamed the downward revision on deteriorating economic conditions and adverse currency movements, added to increased interest charges for the year.

However, analyst Mr Eric de Bellaigue maintained that the shares remained an attractive medium-term buy because many of its businesses are cash generators and the financial position is thoroughly sound. "Satellite prospects have been greatly enhanced since Pearson's 22 per cent BSB stake, which was in a business with a dubious future, has now been exchanged for an 11 per cent stake in a potentially exciting company," he said. The shares ended 5 off at 661p.

Bunzl was hurt by news that the company's board was informed by the Stock Exchange of an anonymous communicationregarding the company. A memo was sent to certain securities houses stating that the US management of Bunzl had terminated their contract. Bunzl said it was not aware of any new factors which might affect trading prospects for the current year. Nevertheless, Bunzl's share price fell 4½ to 68½p.

Saatchi & Saatchi was little affected by an uninspiring results announcement yesterday, which was in line with market expectations. Saatchi closed down 3 at 34p, while WPP also remained under pressure amid concern over its high debt and lost 3 to 94p.

British Gas was heavily traded as dealers continued to react to the threat by Mr James McKinnon, director general of gas supply, that it would be broken up unless it surrenders a third of its main industrial gas market by 1993. Mr Philip Lambert of Kleinwort Benson said: "Mr McKinnon had not said anything that was not already known." But even if British Gas was broken up it would realise value for its investors. British Gas closed 4 higher at 228½p after turnover of 19m.

ICI was lifted by a positive response to the company's presentation to analysts. Mr Ian John at County NatWest said the company believed profits growth in new drugs would more than offset the expected drop in US sales of Tenormin, its beta-blocker heart drug, after its patent starts to expire next year. ICI put on 5 at 888p.

GEC slipped 3¼ to 173p as turnover swelled to 20m following a late 9m-share tax-related deal. The shares came under pressure as brokers scaled down their current year forecasts following the £15m drop in interim profits to £342m. County NatWest cut its current year estimate by £35m to £880m and next year's by £40m to £880m.

The better than expected take-up in Eurotunnel's rights issue supported Euro Disneyland, which initially advanced 26 to 1006p on buying from Euro index funds. Euro disney later lost some of its shine but none the less ended 18 ahead at 998p.

Ladbroke, on the other hand, was hit by a large sell order from a big securities house and dipped 6 to 260p.

A.B. Foods receded 4 to 399p as S.G. Warburg lowered its current year estimate by £12m to £303m. A decline in the Australian dollar and renewed signs of a price war breaking out in food retailing in Ireland is likely to produce lower profits.

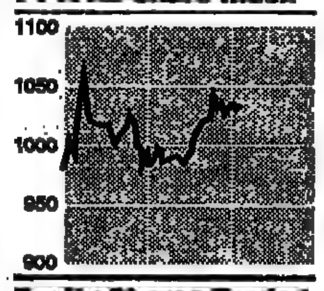
A weakening in poultry prices depressed Unigate, down 6 at 272p, Dalgety, 2 easier at 353p, and Hillsdown, off a penny at 246p.

Christian Salvesen rose 5 to 164p after reporting interim profits of £36m, close to most brokers' forecasts and compared with £32.6m last time.

Properties were very much a backwater. A modest two-way trade left share prices of the two majors slightly harder, while Wates City of London Properties responded further to the joint venture with Sumitomo Corporation (UK). The latter said yesterday it would spend £43m on a 50 per cent stake in Vintners' Place, a wholly-owned unit of Wates, to help it move into the office building development business in Britain. Wates ended a further 5 up at 148p.

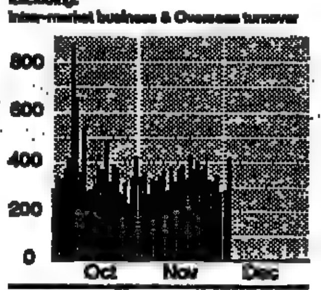
■ Other Market statistics, including the FT-Actuaries share index, Page 22

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (16).
BRITISH FUNDS (3) Treas. 10¼ 2003 A, Treas. 11¾% 1991, Treas. 6¾% Ln. 1995-98, CANADIANS (1) Abbot Energy, BREWERS (1) Macdonald Martin A, BUILDINGS (1) London & Clydesdale, CHEMICALS (1) Rentokil, ELECTRICALS (2) Borland Intl., Pressac, Thorpe (F. W.), FOODS (2) Dalepak Foods, Thorntons, PAPERS (1) Lowe, TRUSTS (2) M & G 2nd Dual Inc., Scottish National, MINES (1) Falcon.
NEW LOWS (87).
AMERICANS (1) American T. & T., BANKS (1) Cambridge Group, BUILDINGS (7) Amcliffe, Ashtead, Bett Bros., Freeman, Phoenix Timber, Roskel, Westminster Scaffg., STORES (3) Colorvision, Wickes, World of Leather, ELECTRICALS (5) Citadel, CSC, MMT Computing, P-E Intl., Unitech, ENGINEERING (3) Brooke Tool, Richards, Wheway, FOODS (1) Ptarmigan, INDUSTRIALS (15) BET, Barry Wehmiller, Continuous Stationery, Courtney Pope, Green (J.) Units, Elbief, Fletcher Challenge, Johnston Group, London Finance & Invs., Porth, Proudfoot (A), Reed Exec., Security Archives, Shaw (Arthur), Tamaris, Whitecroft, NEWSPAPERS (1) Sterling Publishing, PAPERS (8) Abbott Mead Vickers, Aegis, Brunning, Gold Greenlees Trott, Shandwick, TMD Advertising, Waverley Cameron, PROPERTY (6) Clayform Props., Do. warrants, Evans of Leeds, Micklegate, Savills, Smith (James) Ests., TRANSPORT (1) Turnbull Scott, TRUSTS (4) Ensign Tst., Independent Inv., Lancs. & London Inv., Stratton Inv., OILS (1) British Borneo, MINES (5) ACM Gold, Bougainville, Cluff Oil warrants, Geevor, Monarch Res., Young Group, THIRD MARKET (3) Image Store, Oxford Virology, Sleepy Kids.

FINANCIAL TIMES STOCK INDICES

	Dec 5	Dec 4	Dec 3	Nov 30	Nov 29	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	82.68	82.58	82.58	82.58	82.34	82.98	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	90.37	90.13	90.13	90.23	89.65	92.17	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1689.6	1681.6	1695.3	1682.8	1674.8	1859.9	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	154.3	152.9	157.6	160.2	157.6	288.7	378.5 (8/2)	152.3 (4/12)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2152.6	2146.3	2162.7	2149.4	2135.6	2353.7	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	978.48	967.76	973.55	968.80	960.85	-	1000.00 (26/10)	948.31 (27/11)	1000.00 (26/10/90)	948.31 (27/11/90)
Ord. Div. Yield	5.68	5.72	5.68	5.73	5.77	4.58				
Earning Yld %(full)	11.89	11.97	11.89	12.00	12.07	11.12				
P/E Ratio(Net)(*)	10.16	10.09	10.16	10.07	10.01	10.89				
SEAQ Bargns 4.45pm	19,726	22,457	22,422	21,872	21,218	27,694				
Equity Turnover(£m)†	-	955.60	694.81	658.41	849.35	947.22				
Equity Bargains†	-	21,029	20,993	19,517	19,197	27,924				
Shares Traded (ml)†	-	414.0	296.0	283.8	341.5	395.7				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. Basis 1000 FT-SE Eurotrack 100 [illegible]

Ordinary Share Index, Hourly changes — Day's High 1690.7 — Day's Low 1677.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1684.3	1677.2	1680.3	1685.9	1686.2	1690.0	1689.8	1689.4	1688.7

FT-SE, Hourly changes — Day's High 2152.8 — Day's Low 2136.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2147.0	2138.7	2140.0	2146.9	2147.6	2152.0	2152.0	2151.7	2150.6

FT-SE Eurotrack 100, hourly changes — Day's High 981.91 — Day's Low 976.75

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
977.26	977.90	978.25	981.22	981.45	981.53	979.67

GILT EDGED ACTIVITY

Indices*	Dec 4	Dec 3
Gilt Edged Bargains	113.7	108.5
5 – Day average	136.8	144.7

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Volume 000's | Closing Price | Day's change

[illegible]

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

APPOINTMENTS

Chairman of Bridon

■ Mr John West has been appointed chairman of BRIDON in succession to Sir Christopher Laidlaw who has retired. Mr West, who joined the board last May, is chairman of Christian Salvesen, and a non-executive director of Dalgety. Previously he was group chief executive with Reckitt & Colman.

■ BIBBY DISTRIBUTION SERVICES, contract distribution division of the Bibby Line Group, Liverpool, has appointed Mr Bill Leckie as a director. He was a divisional manager with TDG subsidiary Harris Distribution.

■ Mr Derek Fletcher has been appointed joint managing director of Reliel Mechel, and Mr David McDowall has been promoted to assistant director of High-Point Schaer. Both companies are in the HIGH-POINT GROUP.

■ Mr Christopher R. Baird will join RIVER & MERCANTILE INVESTMENT MANAGEMENT on January 2 as an executive director. He is head of the smaller companies team at Kleinwort Benson.

■ POLYMOSA (EUROPE), a subsidiary of a Taiwanese company, has taken a warehouse and offices in Solihull. Mr Peter Noble has been appointed general manager.

■ Sir Dermot de Trafford has been elected chairman of the council of the INSTITUTE OF DIRECTORS. Until recently he was chairman of Low and Bonar, and the Calor Group.

■ THAMES TELEVISION has appointed Ms Sue Farr as director of corporate communications, responsible for advertising and publications. She is business development manager at WRCS. Mr Roy Addison, press and publicity director, remains responsible for media relations.

■ Mr Robert Miller has been appointed managing director of the UK arm of DIGITRON, Redditch. The group belongs to Sprecher+Schuh Systems Technology, Switzerland. Mr Miller succeeds Mr Ulf Jansson, founder of the UK subsidiary, who returns to Sweden as managing director of Digitron there.

■ Mr Martyn Hart has been appointed director of marketing and sales at BR TELECOMMUNICATIONS, a subsidiary of British Railways Board. He was with British Telecom. Mr John Ormsby becomes director of corporate strategy. He was commercial director of Great Ormond Street Hospital for Sick Children, and is a former executive director of Cable & Wireless.

■ Mr John Oldfield (*left*), vice president, product programmes and powertrain group, and Mr Albert Caspers (*right*), vice president, engineering and vehicle manufacturing group, Ford of Europe, have been elected corporate vice presidents of FORD MOTOR COMPANY from January 1. Both retain their present posts.

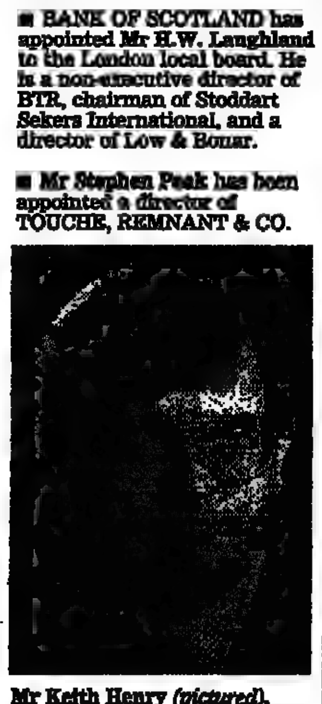
■ Mr Basil Postan has been appointed an associate managing director of NOMURA INTERNATIONAL, London. He was managing director Dillon, Read, in charge of continental equities.

■ Mr Philip Bowman has been appointed financial director of BASS from January 1. He succeeds Mr David Inns who is retiring. Mr Bowman joined the group in 1985 as finance director of Bass Leisure, and recently has held various posts in the hotel division. Mr Ken Richards and Mr Dennis Urquhart retire as directors after the annual meeting.

■ Mr Andrew Large has been appointed non-executive chairman of LUTHY BAILLIE DOWSETT PETHICK & CO, fixed income agency broker. He is a non-executive director of Nuclear Electric, Phoenix Securities, and Rank Hovis McDougall.

■ BANK OF SCOTLAND has appointed Mr H.W. Laughland to the London local board. He is a non-executive director of BTR, chairman of Stoddart Sekers International, and a director of Low & Bonar.

■ Mr Stephen Peak has been appointed a director of TOUCHE, REMNANT & CO.



Mr Keith Henry (*pictured*), formerly managing director of Brown & Root Marine, has been appointed chief executive of BROWN & ROOT (U.K.). He succeeds Mr J.R.S. Morris who has retired but who will continue as part-time non-executive chairman, and who will remain chairman of Devonport Management (which runs Devonport Royal Dockyard).

LONDON SHARE SERVICE

BRITISH FUNDS

1990 High | Low | Stock | Price £ | + or – | Yield Int. | Red.

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

1990 High | Low | Stock | Price £ | + or – | Div Gross | C'vr | Y'ld Gr's

[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
£13¾	£9	ABN Amro F15	£9½	...	Q28%	2.1	8.8	5.3
303	135	ANZ SA1	139	+1	Q38c	♦	10.9	♦
233	172	Abbey National 10p	225		5.7	4.5	3.4	9.1
*274	123	Allied Irish Ord.	147xd	-1	†Q40%	3.3	6.1	6.7
85	47	Anglo Irish	57	...	Q17.9%	♦	7.3	♦
93	61	Ansbacher (H.) 1p	62	-2	2.5	1.3	5.4	17.8
£71½	£32½	Bancaire Cie Fr100	£48½	+½	Q12½%	-	2.7	-
£22½	£12½	Banco Bilbao Viz	£13¼	-½	Q49.1%	2.7	6.0	9.1
286	130	Bank Ireland Ir£1	146xd	-1	Q14.7%	2.9	9.0	5.1
£19½	£18	Bank Leumi	£19½	...	-	-	-	-
351	320	Bank Leumi (U.K.)	350		†15.0	-	5.7	-
129½	100	Bank Scotland	113	-1	†4.55	3.4	5.4	7.2
100¼	83¼	Do. 9¼pc Irrd Pf	98½	-¼	9¼%	-	12.5	-
54	39	Bank of Wales	42	...	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	372	-3	†h19.57	3.5	7.0	5.2
22	10	Benchmark 20p	11	......	0.75	-	9.1	-
335	222	Brown Shipley £1	222	......	‡12.0	2.2	‡	7.1
435	285	Cater Allen £1	382xd	-	F24.5	-	8.6	-
179	29	Chancery	44	+5	†9.0	2.7	‡	1.8
£23¼	£14	Commerzbk DM10	£16½	.....	Q18%	-	3.8	-
£13½	620	Dai Ichi KBk Y50	689	.....	Q17%	6.2	0.5	32.5
£313½	£189½	Deutsche Bk DM50	£214½	+4½	Q28%	-	2.2	-
£20¾	£14½	Espirito Santo	£16½		Q75c	5.1	2.3	8.5
253	166	First Nat. Fin. 10p	188		13.0	2.1	9.2	6.5
121	82	FNFC 6.5pc Cv Pf	96	-	6.3%	-	8.7	-
£13½	633	Fuji Bank Y50	689	-4	†Q17%	6.9	0.4	34.4
325	262	Gerrard & National	311		19.0	-	8.1	-
154	80	Guinness Mahon 10p	80	...	1.45	♦	2.4	♦
328	194	Hambros 20p	242	-1	†11.5	-	6.4	-
128	88	Do. 7.5pc Cv Pf	98	-	7½%	-	10.2	-
53½	29	HK & Shang. HK$2.50	31½	+½	†hQ38c	-	8.1	-
478	373	Joseph (Leo) £1	373	-5	15.85	-	5.7	-
150	105	King & Shaxson 20p	125xd	-1	10.25	-	10.9	-
422	262	Kleinwort Benson Grp.	284	-1	16.0	2.5	7.5	6.7
642	316	Kyowa Bank Y50	383	+4	Q14%	♦	0.8	♦
316	220	Lloyds £1	284	+2	†13.3	2.6	6.2	6.7
56	44	Lon. Scot. Bank 10p	47	......	†2.4	1.9	6.8	9.3
404	176	Midland £1	199	+1	†18.0	2.6	12.1	4.1
£14½	£10½	Mitsubishi Bank Y50	£10½	....	†Q17%	♦	0.3	♦
£12¼	£4½	Mitsubishi Tst & Bk Y50	£5½	+½	Q17%	12.4	0.8	10.7
£10¾	£4¾	Mitsui Taiyo Kobe Y50	£6¼	+⅛	†Q16%	6.0	0.5	34.1
904	410	Mitsui Tst & Bk Y50	501	+8	Q17%	♦	0.7	♦
326	220	Nat Aust. Bk. A$1	229	+1	Q55c	♦	9.6	♦
368	227	NatWest £1	270	+1	†16.7	3.3	8.2	4.9
£210	£110	Ottoman Bank	£115	+5	Q110%	2.8	9.6	3.7
55	26	Rea Bros. Group	28	...	0.5	3.2	2.4	14.0
227	119	Royal Bk. Scotland	160	......	8.4	‡2.5	7.3	7.3
795	338	Saitama Bank Y50	388	+11	‡Q14%	♦	0.7	♦
£12¼	567	Sanwa Bank Y50	683		Q17%	6.7	0.5	29.9
902½	613	Schroders £1	688	+5	h12.5	5.9	2.4	9.3
712½	413	Do. £1 N/V	458	-5	h12.5	5.9	3.6	6.2
£25¼	£9½	Sec. Pacific $10	£11¾	+½	Q52.52	-	10.8	-
616	235	Standard Chartd. £1	277	+2	35.0	1.4	16.8	(5.2)
£16½	£5¾	Sumitomo Bank Y50	£6¾	+¼	†tQ16%	7.5	0.4	28.6
£11	£4¾	Sumitomo Tst & Bk Y50	£6	+¼	Q17%	6.9	0.6	25.5
147	114	TSB	135½	-3½	†5.8	2.5	5.7	8.8
175	114	TSB Bank Ch'nel Is'l	115	+1	†Q6.7	3.5	5.8	5.7
£463	£4½	Tokai Bank Y50	£5	+⅛	Q16%	4.1	0.9	35.8
920	484	Toyo Tst & Bk Y50	643	+10	†Q15.2%	6.9	0.5	28.8
611	499	Union Discount £1	580	......	33.0	-	7.6	-
525	284	Warburg (S.G.)	337xd	-1	15.0	3.0	5.9	7.6
180	98	Do. 6pc Cnv Prf	116	......	6%	-	6.9	-
279	147	Westpac $A1	158	-1	Q52.5c	♦	13.5	♦
420	303	Wintrust 20p	303	-2	8.7	4.2	3.8	8.4
969	509	Yasuda Tst & Bk Y50	588	.....	Q17%	♦	0.6	♦

Hire Purchase, Leasing, etc.

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
175	40	CLF Yeoman 50p	58	.....	Q18.5%	3.2	17.5	2.4
71	47	Cambridge Grp Ir5p	47	-1	†Q7½%	15.6	0.7	11.4
59	11	Capital Leasing Ir10p	37	......	†Q83%	3.5	2.8	9.1
68	50	Cattle's (Hdgs) 10p	56	.....	†3.8	1.9	9.4	8.0
428	362	Prov. Financial	408		†20.5	2.1	6.7	9.4
*232	134	Reflex Invs Ir5p	148	-3	†Q51%	7.9	1.6	10.9
225	192	Secure Trust Grp. 1p	195	-2	†8.5	2.8	5.8	8.2
210	135	Woodchester IR20p	162	+2	†Q16.7%	5.9	1.8	12.1

BEERS, WINES & SPIRITS

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
520	408	Allied-Lyons	478	......	†16.95	2.3	4.8	10.2
£26¾	£18½	Anheuser-Busch $1	£20½	-⅛	Q$1.00	-	2.4	-
[illegible]								

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCE

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

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MOTORS, AIRCRAFT TRADES – Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY – Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST – Contd

[illegible]

INVESTMENT TRUST – Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES – Contd

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

For Remainder see INDUSTRIALS

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names α Alpha, β Beta, γ Gamma

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed
- ¶ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ## Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Craig & Rose £1	γ	700xd	
Finlay Pkg 5p	γ	38	+2
Holt (Jos) 25p	γ	2305	

IRISH

Cap 8½% Ln 1991	£98¼	
9pc Cap Ln 1996	£93¾	–¼
Fin 13% 97/02	£110½	..
Arnotts	167	..

Carrol (P J)		184
Heiton Hldgs	γ	48
IRG		140
United Drug		135

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	6
Asdec (BSR)	4½
BAT	46
BOC Grp	28
BTR	25
Barclays	30
Blue Circle	19
Boots	29
Bowaters	43
Brit Aerospace	45
British Steel	10½
Brit. Telecom	25
Cadburys	28
Charter Cons	30
Comm Union	40
Courtaulds	28
Eurotunnel	35
FKI	5
FNFC	20
Gen Accident	41
GEC	15
Glaxo	60
Grand Met.	31
Guardian	27
GKN	27
Hanson	16
Hawker Sidd	35
ICI	70
Ladbroke	22
Legal & Gen.	32
Lex Service	17
Lloyds Bank	24
Lucas Inds	11
Marks & Spencer	19
Midland Bk	16
Nat West Bk	21
P & O Dfd	44
Racal Elect.	16
RHM	20
Rank Org Ord	52
Reed Intnl	32
STC	19
Sears	7½
SmKl Beecham A	41
TI	35
TSB	11
Tesco	19
Thorn EMI	55
Trust Houses	23
T&N	23
Unilever	52
Vickers	16
Wellcome	33

Property

Brit Land	24
Control Secs	3½
Land Securities	45
MEPC	38
Mountleigh	9

Oils

Aviva Petlm	3½
Brit Petroleum	27
Burmah Castrol	46
Conroy Petlm	15
Gaelic Res	1½
Premier	7
Shell	37
Tuskar Res.	2
Ultramar	29

Mines

Lonrho	19
RTZ	48

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Target Trust Mngrs Ltd (1600)F						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin. 0296 394000 Dealing: 0296 [illegible]						
American Eagle	5	60.90	60.90	65.00	+0.78	1.18
Australia	5	5.228	5.228	5.597	[illegible]	4.77
Equity	5	144.1	144.1	154.7	+0.4	4.97
Euro Spec Sits	5	96.45	96.45	103.5	+0.6	0.67
Financial	5	25.26	25.26	27.16	+0.05	5.50
Global Opps Inc	5	56.35	56.35	60.58	+0.40	0.00
Global Opps Acc	5	57.57	57.57	61.89	+0.41	0.00
Gold & Gen Inc	5	34.43	34.43	37.04	-0.03	1.08
Gold & Gen Acc	5	64.36	64.36	69.25	-0.06	1.08
Income	5	87.37	87.37	94.00	+0.24	[illegible]
Japan & General	5	103.9	103.9	111.7	+0.5	0.00
Preference Share	5	17.60	17.60	18.93	-0.24	14.01
UK Capital	5	78.33	78.33	84.12	+0.10	4.15
World Income	5	54.15	54.15	58.37	+0.47	[illegible]
Worldwide Capital	5	147.3	147.3	158.5	+0.7	3.45
Templeton Unit Trust Managers Ltd (1200)F						
Atholl Crescent, Edinburgh EH3 8HA 031 228 3932						
Global Growth Acc	6	92.56	93.16	99.64	-0.12	3.57
Global Growth Inc	6	88.96	89.51	95.73	-0.11	3.57
Global Balanced Acc	6	94.47	94.75	102.33	-0.26	4.58
Global Balanced Inc	6	88.17	88.43	94.58	-0.24	4.58
Value Tst Acc	6½	69.02	69.91	74.76	-0.13	4.50
Value Tst Inc	6½	65.96	66.81	71.45	-0.17	4.50
Intl Fin & Cr Uts Inc	2	87.37	88.55	92.96	+2.43	[illegible]
Intl Fin & Cr Uts Acc	2	84.41	85.55	89.82	+2.46	[illegible]
Thornhill Unit Trust Managers Ltd (1200)F						
28 St John's Sq, London EC1M 4AE 071-251 6767						
Capital	5	46.99	47.36	50.37	[illegible]	[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Dec 5	38.9	40.4	—	2.67
Euro Expt Dec 5	47.2	49.5	—	2.45
Fixed Int Ex Dec 5	43.6	44.7	—	10.78
Japan Expt Dec 5	36.0	37.8	—	0.71
Managed Ex Dec 6	38.1	39.6	-0.30	5.06
SE Asia Expt Dec 5	54.5	57.2	—	4.28
Sm Cos Expt Dec 5	28.7	29.5	—	6.09
UK Eqty Ex Dec 5	36.2	38.0	—	4.59
Phillips & Drew Fund Management Ltd				
Small Co's Dec 5	592.65	634.6	+2.3	5.78
Do Accum	659.2	705.8	+2.6	5.78
Intl Expt Nov 29	142.6	144.8	—	3.35
UK Index Dec 5	999.0	1019	+37.0	6.07
Do Accum	1056	1076	+39.0	6.07
Convertible Nov 30	79.70	82.22	—	8.34
World ex UK Index Dec 3	639.4	648.0	+3.2	3.27
Do Accum	639.4	648.0	+3.2	3.27
Japan Index Dec 3	492.6	499.9	-27.8	0.68
Do Accum	493.5	500.7	-27.9	0.68
USA Index Dec 3	764.7	769.6	+35.9	3.46
Do Accum	775.5	780.3	+36.4	3.46
Europe ex UK Index Dec 3	794.2	814.1	+21.7	4.18
Do Accum	806.6	826.7	+22.1	4.18
Pacific ex Jap Index Dec 3	728.3	750.4	+14.5	5.57
Do Accum	742.1	764.9	+14.8	5.57
Managed Exempt Nov 28	90.15	91.84	—	5.72
American Exempt Nov 28	98.38	99.85	—	4.41
European Exempt Nov 28	100.5	101.3	—	3.6
Japan Exempt Nov 28	95.46	99.67	—	0.35

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

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National Provident Institution

48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	307.1	323.3	...	-
UK Equity	386.3	406.7	-0.5	-
Overseas Eq.	288.6	303.8	+1.4	-
Americas	214.0	225.3	-1.4	-
Far East	284.2	299.2	-1.2	-
Property	193.4	203.6	+0.1	-
Fixed Int.	241.0	253.7	+0.9	-
Indexed Gilt	149.5	157.4	+0.1	-
Deposit	173.2	182.4		-
Pension Fund (Actuar Units)				
Managed	425.5	447.9	-0.1	-
UK Equity	494.0	520.0	-0.6	-
Overseas Eq	470.3	495.1	+0.3	-
Americas	282.3	297.2	-0.9	-
Far East	476.9	502.1	-0.3	-
Property	240.6	253.3	+0.2	-
Fixed Int.	293.7	309.2	+1.0	-
Indexed Gilt	164.5	173.2	+0.2	-
Deposit	238.9	251.5	+0.1	-
NPI Pensions Management Ltd				
Managed Fund	941.0	957.8	.....	-

Prices Dec 3 Next dealing Jan 3

Norwich Union Asset Management Ltd

PO Box 140, Norwich NR3 1PP 0603 686787

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	62.1	65.3	-	-
Stock Market Mngd Fund	58.3	61.4		-
Equity Fund	67.0	70.6	-0.1	-
International Fund	50.9	53.6	+0.1	-
European Fund	61.5	64.7	+0.3	-
North American Fund	50.3	53.0		-
Pacific Fund	49.2	51.8	+0.2	-
Property Fund	84.6	89.0		-
Fixed Interest Fund	54.8	57.7	+0.2	-
Index linked Sec Fund	60.7	63.9	+0.1	-
Deposit Fund	66.5	70.0	.....	-
NUAM Retirement Plans				
Mixed Fund	67.5	71.1	-0.1	-
UK Ordinary Share Fd	77.5	81.6	-0.2	-
International Fund	54.9	57.8	+0.1	-
Property Fund	83.2	87.6		-
Fixed Interest Fund	65.6	69.1	+0.3	-
Index Linked Sec Fund	64.2	67.6	+0.2	-
Deposit Fund	77.4	81.4		-
NUAM (NPF)				
Managed Fund	878.3	924.6		-
Equity Fund	1846.0	1943.2	-4.2	-
International Fund	134.6	141.7	+0.5	-
Property Fund	535.4	563.6	+0.1	-
Fixed Interest Fund	410.7	432.4	+1.5	-

Providence Capitol Life Assc. Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Total Investment Bond				
UK Equity Initial		134.6	-0.3	-
UK Fixed Int Initial		112.2	+0.1	-
Intl Equities Initial		102.2	+0.2	-
UK Managed Initial		107.3	...	-
Property Initial		162.4	+0.2	-
Money Initial		84.9		-
Special Market Initial		92.6	-0.7	-
Japan Equity Initial		65.8	+0.2	-
North American Initial		64.9	-0.1	-
Pacific Initial		56.9	+0.3	-
Technology Initial		74.6	-0.2	-
Nat Resources Initial		41.4	-0.3	-
European Initial		82.2	+0.5	-
Residential Prop Init		95.6	...	-
Swiss Equities Initial		30.3	+0.3	-
Hong Kong Initial		44.9	+0.3	-
UK High Inc Eq Init		60.9	-0.4	-
Int. Fixed Interest Init		51.1	...	-
Int Managed Init.		49.4	+0.1	-
HIP Managed Init		96.4	...	-
HIP Managed B Initial		86.4	-0.2	-
Broker Funds				
High Performance	61.5	64.8	+0.3	-
Towerhill Mngd Fd Acc	36.6	38.6	-0.9	-
YRA Executive Fd	81.1	85.5	...	-
£ Global Growth Acc	110.2	116.2	+0.1	-
£ High Income Money Acc	133.6	140.9	-	-
IM Balanced		86.6	...	-
H F Speculator Fd		112.3	+1.0	-
PEP Acorn II		103.4	-0.1	-
PEP Cautionary		67.1	...	-
AAFS Int Man Fund		110.6	-0.6	-
Andrews-Green Inv Port		73.4	-1.8	-
Individual Pension Funds				
UK Equity Acc	212.9	224.6	-0.6	-
UK Fixed Interest Acc	204.3	215.6	+0.3	-
Intl Equities Acc	191.4	201.9	+0.4	-
UK Managed Acc	168.9	178.1	-0.2	-
Property Acc	206.9	218.3	+0.2	-
Money Acc	151.8	160.2	+0.1	-
Special Market Acc	186.7	197.0	-1.6	-
Japan Equity Acc	133.5	140.9	+0.5	-
North American Acc	102.1	107.8	-0.2	-
Pacific Acc	136.4	143.9	+0.8	-
Technology Acc	117.7	124.2	-0.6	-
Natural Resources Acc	81.0	85.5	-0.7	-
European Acc	104.6	110.4	+1.0	-
Residential Prop Acc	103.8	109.5	...	-
Swiss Equities Acc	31.6	33.4	+0.4	-
Hong Kong Acc	47.3	49.9	+0.3	-

Royal Heritage Life Assurance Ltd – Contd.

Royal Life Insurance Ltd

Sun Alliance International Life

PO Box 77, New St, St Peter Port, Guernsey 0481 714108

	Bid Price	Offer Price	+ or -	Yield Gross
North American Equity $	$7.87	8.47	...	-
Pacific Equity $	$7.15	7.70		-
Intl Currency $	$4.28	4.61		-
Intl Bond Fund $	$7.05	7.59		-
Gilt Fund £	£4.09	4.41		-
US Dollar Mngd Fd $	$1.59	1.71		-
Stlg Managed Fd £	£1.01	1.08		-

Target International Group

1 rue Emile Blan, Luxembourg Tlx 2809 Tel 4050751

	Bid Price	Offer Price	+ or -	Yield Gross
Sterling Pens Plan	£0.68	0.74		-
US Dollar Pens Plan	$0.70	0.76		-
Yen Pens Plan	Y222	238		-
Ecu Pens Plan	Ecu0.60	0.65		-
Sterling Man Fd	£0.96	1.02		-
Sterling Fixed Int Fd	£1.57	1.66		-
US Dollar Man Fd	$1.16	1.23		-
US Dollar Fixed Int Fd	$1.42	1.50		-
Ecu Bond Fd	Ecu1.07	1.13		-
Davenport Chdwck £ Fd	£0.78	0.84		-
Davenport Chdwck $ Fd	$0.49	0.53		-
Davenport Chad £ F I	£1.09	1.17		-
LWI Universal Stg Mgd	£0.77	0.80		-
LWI Universal $ Mngd	$0.63	0.66		-
Matheson £ Pens	£0.75	0.80		-
Matheson $ Pens	$0.80	0.85		-
EDM MIM £	£0.84	0.91		-
EDM MIM $	$0.94	1.02		-
Royal Wessex Fund	£0.71	0.739		-
Wessex Special Sits	£0.99	1.037		-
Proinco $ Managed	$0.93	0.967		-
Proinco £ Managed	£0.97	1.018		-
Argent Stg Blncd		£10.31		-
Argent Stg Eqty Gth		£10.78		-
OFS Lanes Cpd Mgd Gr £		£0.97		-
OFS Lanes Cpd Mgd Gr $		$1.06		-
OFS Aggressive $		$0.90		-
OFS Mngd Growth $		$1.14		-
OFS DH Balanced Port		$1.15		-
Mgd Composite No 1	$0.87	0.94		-
Mgd Composite No 2	$0.93	1.01		-
Zero Bd Mgd Comp	$0.98	1.05		-
Zero Bond Mgd Comp 2	$0.93	1.01		-
Japan Mngd Comp	Y959	1026		-

J. D. Ward Financial Services Ltd

9 Kingsway London WC2 B6XF 01-836 4921

	Bid Price	Offer Price	+ or -	Yield Gross
Target Mngd Bond	186.6	196.5	+0.5	-
Target Mngd Pension	111.7	119.2	+1.4	-
Albany Life Acc	166.8	175.6	+0.2	-
Albany Pens Acc	207.0	217.8	+0.1	-

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Orion Fund Limited						
6 Front St Hamilton HM11 Bermuda 809 295 4000						
Orion	5		4.8538			-

CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc

UK Agent, Ivory & Sime Plc, One Charlotte Square, Edinburgh EH2 4DZ 031 225 1357

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
GBC Nth America Inc	C$		2.60			-
Ancnos Stlg Eqty	£		1.15			-

*Dealing Thursday Forward Redemption Fee 1%

OFFSHORE INSURANCES

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

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IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Rate factors boost D-Mark

INTEREST RATE differentials gave a boost to the D-Mark yesterday, as the yen and sterling had a weak undertone and the dollar showed little movement.

The D-Mark was supported by the recent rise in German interest rates, keeping it in second place behind the Spanish peseta at the top of the European Monetary System.

It was noted that German banks were prepared to pay up to 9.05 for one-month money and 9.15 per cent for two-month funds at the Bundesbank's securities repurchase agreement tender, compared with the Lombard emergency financing rate of 8.50 per cent.

The recent strength of the D-Mark has encouraged some tightening of European interest rates, including the second rise within a week in the Belgian National Bank's key three-month Treasury bill rate. Rates also rose at the Bank of Italy's repurchase tender of Government securities, helping to defend the lira in the EMS exchange rate mechanism.

The Bank of Italy did not intervene to support the lira at the Milan fixing, as the D-Mark eased to L752.09 from L752.15, but the Bank of France probably sold the German currency on a small scale as the D-Mark rose through technical resistance at FFr3.3860. At the close in London it had advanced to FFr3.3880 from FFr3.3850, with dealers voicing some surprise that the Bank of France had not been more aggressive in its support of the franc.

Interest rate factors have made the French currency increasingly vulnerable after the Bank of France cut its important money market intervention rate one day before the Bundesbank raised the Lombard rate at the beginning of November.

The Dutch Central Bank increased the upward pressure on rates last Friday by raising its special advances rate to the domestic money market. This coupled with recent moves by the Belgian authorities is designed to keep the guilder and Belgian franc within 1 per cent of central rates against the D-Mark. Market speculation points to France making a similar move, but yesterday's intervention by the Bank of France, as the franc fell to its lowest level against the D-Mark since February, did not encourage this view.

Trends in UK interest rates have contributed to sterling's weakness at the bottom of the ERM. The pound fell to DM2.8875 from DM2.8950; to FFr9.7875 from FFr9.8000; and to SFr2.4675 from SFr2.4725. It also lost ¼ cent to $1.9240, but rose to Y258.75 from Y258.25. Sterling's index closed unchanged at 93.6.

Data published in the US Federal Reserve's beige book tended to confirm weakness in the economy, but had little impact on the dollar.

In London the dollar fell to DM1.5015 from DM1.5030 and to SFr1.2825 from SFr1.2840, but was unchanged at FFr5.0875 and rose to Y134.45 from Y134.00. Its index climbed to 61.4 from 61.3.

£ IN NEW YORK

Dec.5	Latest	Previous Close
£ Spot	1.9235-1.9245	1.9300-1.9310
1 month	0.95-0.93pm	0.94-0.93pm
3 months	2.58-2.55pm	2.47-2.45pm
12 months	8.02-7.98pm	7.75-7.70pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec.5	Previous
8.30 am	93.7	93.6
9.00 am	93.7	93.6
10.00 am	93.7	93.6
11.00 am	93.7	93.7
Noon	93.8	93.7
1.00 pm	93.7	93.7
2.00 pm	93.5	93.7
3.00 pm	93.6	93.7
4.00 pm	93.6	93.6

CURRENCY MOVEMENTS

Dec 5	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.6	-18.8
U.S. Dollar	61.4	-17.6
Canadian Dollar	101.6	-0.3
Austrian Schilling	110.8	+12.4
Belgian Franc	112.1	-1.8
Danish Krone	111.2	+5.5
D-Mark	120.7	+26.3
Swiss Franc	114.8	+23.0
Dutch Guilder	115.8	+17.0
French Franc	105.5	-11.3
Lira	100.2	-19.2
Yen	130.3	+64.6

Morgan Guaranty changes: average 1980-1982=100 Bank of England Index (Base Average 1985=100). **Rates are for Dec. 4.

CURRENCY RATES

Dec 5	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.739014	0.707494
U.S Dollar	7	1.42445	1.36865
Canadian $	12.82	1.65749	1.59037
Austrian Sch	6½	15.0792	14.3776
Belgian Franc	10½	50.9811	42.3425
Danish Krone	10½	8.24614	7.86972
D-Mark	6.00	2.14280	2.04585
Dutch Guilder	7.25	2.41729	2.30768
French Franc	10½	7.24618	6.92604
Italian Lira	12½	N/A	1539.18
Japanese Yen	6	190.734	183.330
Norway Krone	8	8.39856	8.01069
Spanish Peseta	-	136.591	130.555
Swedish Krona	11	8.04957	7.68222
Swiss Franc	6.00	1.83113	1.74571
Greek Drach	20½	N/A	211.401
Irish Punt	-	N/A	0.767437

† European Commission Calculations.
* All SDR rates are for Dec. 4

OTHER CURRENCIES

Dec 5	£	$
Argentina	9655.35 - 9679.65	4995.00 - 5005.00
Australia	2.5095 - 2.5115	1.3025 - 1.3035
Brazil	280.665 - 282.365	145.300 - 146.000
Finland	6.9335 - 6.9420	3.5960 - 3.5990
Greece	296.10 - 300.85	153.25 - 155.70
Hong Kong	15.0635 - 15.0770	7.8020 - 7.8040
Iran	124.80*	63.50*
Korea(Sth)	1363.35 - 1383.35	710.40 - 716.00
Kuwait	N/A	N/A
Luxembourg	59.80 - 59.90	31.05 - 31.15
Malaysia	5.2065 - 5.2190	2.6970 - 2.6990
Mexico	5679.15 - 5701.45	2938.00 - 2948.00
N.Zealand	3.1635 - 3.1745	1.6390 - 1.6420
Saudi Ar.	7.2170 - 7.2580	3.7490 - 3.7510
Singapore	3.3160 - 3.3255	1.7175 - 1.7195
S.Af.(Cm)	4.8725 - 4.8845	2.5240 - 2.5250
S.Af.(Fn)	6.5270 - 6.6350	3.3925 - 3.4485
Taiwan	52.45 - 52.55	27.25 - 27.30
U.A.E.	7.0685 - 7.1090	3.6720 - 3.6740

* Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Dec 5	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	130.555	-2.30	3.91	40
D-Mark	2.05586	2.04585	-0.49	2.02	32
Dutch Guilder	2.31643	2.30768	-0.38	1.90	19
Belgian Franc	42.4032	42.3425	-0.14	1.67	8
Irish Punt	0.767417	0.767437	0.00	1.52	1
Italian Lira	1538.24	1539.18	0.06	1.46	-2
Danish Krone	7.84195	7.86972	0.35	1.16	-15
French Franc	6.89509	6.92604	0.45	1.07	-26
Sterling	0.696904	0.707494	1.52	0.00	-29

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Dec 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9220 - 1.9380	1.9235 - 1.9245	0.94-0.92cpm	5.80	2.56-2.53pm	5.29
Canada	2.2345 - 2.2550	2.2345 - 2.2355	0.41-0.37cpm	2.09	0.65-0.58pm	1.10
Netherlands	3.2525 - 3.2675	3.2525 - 3.2625	1⅜-1¼cpm	4.83	3⅞-3⅝pm	4.99
Belgium	59.60 - 60.00	59.80 - 59.90	27-24cpm	5.11	65-58pm	4.11
Denmark	11.0850 - 11.1200	11.1100 - 11.1200	3⅞-3⅜orepm	3.85	8½-7⅞pm	2.92
Ireland	1.0825 - 1.0895	1.0845 - 1.0855	0.26-0.20cpm	2.54	0.60-0.47pm	1.97
Germany	2.8850 - 2.8975	2.8850 - 2.8900	1¼-1pfpm	4.68	2⅞-2⅝pm	3.90
Portugal	253.10 - 255.55	253.15 - 254.15	2-33cdis	-0.83	108-169dis	-2.18
Spain	183.95 - 185.25	183.95 - 184.25	4-15cdis	-0.55	44-57dis	-1.10
Italy	2168.00 - 2179.75	2175.50 - 2176.50	3-1lirepm	1.10	6-4pm	0.92
Norway	11.2900 - 11.3575	11.3425 - 11.3525	2⅞-2⅛orepm	2.64	5⅞-4⅞pm	1.78
France	9.7650 - 9.8150	9.7825 - 9.7925	3⅝-3⅛cpm	4.14	7⅝-7⅛pm	3.09
Sweden	10.8200 - 10.8875	10.8225 - 10.8325	½-⅜oredis	-0.28	3⅛-4dis	-1.39
Japan	257.75 - 259.75	258.25 - 259.25	1⅛-1⅛ypm	5.51	3⅛-3⅛pm	4.93
Austria	20.28 - 20.38	20.29 - 20.32	9-7⅝ gropm	3.94	16⅞-14⅞pm	2.43
Switzerland	2.4650 - 2.4750	2.4650 - 2.4700	1⅛-1cpm	5.17	2⅞-2⅝pm	4.46
Ecu	1.4020 - 1.4100	1.4025 - 1.4035	0.46-0.42cpm	3.76	1.08-1.00pm	2.96

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.65-4.60cpm. 12 Month 8.05-7.95cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Dec 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9220 - 1.9380	1.9235 - 1.9245	0.94-0.92cpm	5.80	2.56-2.53pm	5.29
Ireland†	1.7750 - 1.7855	1.7755 - 1.7765	0.29-0.24cpm	1.79	1.17-1.07pm	2.52
Canada	1.1615 - 1.1640	1.1620 - 1.1630	0.35-0.38cdis	-3.77	1.06-1.10dis	-3.72
Netherlands	1.6835 - 1.6955	1.6930 - 1.6940	0.12-0.14cdis	-0.92	0.52-0.55dis	-1.26
Belgium	30.90 - 31.20	31.05 - 31.15	1.00-2cpm	0.58	6-10dis	-1.03
Denmark	5.7580 - 5.8100	5.7790 - 5.7800	0.80-1.00oredis	-1.87	3.05-3.55dis	-2.28
Germany	1.4920 - 1.5050	1.5010 - 1.5020	0.12-0.14pfdis	-1.04	0.41-0.51dis	-1.23
Portugal	131.80 - 132.50	132.25 - 132.35	68-78cdis	-6.62	230-260dis	-7.41
Spain	95.15 - 96.00	95.90 - 96.00	48-52cdis	-6.25	148-156dis	-6.34
Italy	1122.25 - 1132.00	1130.75 - 1131.25	3.80-4.40liredis	-4.40	11.80-12.50dis	-4.24
Norway	5.8600 - 5.9165	5.8950 - 5.9000	1.32-1.64oredis	-3.01	4.65-5.15dis	-3.32
France	5.0500 - 5.0900	5.0850 - 5.0900	0.65-0.70cdis	-1.59	2.60-2.70dis	-2.08
Sweden	5.6140 - 5.6610	5.6250 - 5.6300	2.70-3.00oredis	-6.08	9.10-9.65dis	-6.66
Japan	133.10 - 134.60	134.40 - 134.50	0.01-0.03ydis	-0.18	0.06-0.09dis	-0.22
Austria	10.5050 - 10.5550	10.5175 - 10.5225	0.70-1.30grdis	-1.14	2.30-3.50dis	-1.10
Switzerland	1.2720 - 1.2840	1.2820 - 1.2830	0.06-0.09cdis	-0.70	0.23-0.29dis	-0.81
Ecu	1.3685 - 1.3775	1.3685 - 1.3695	0.24-0.22cpm	2.02	0.82-0.78pm	2.34

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Dec 5	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14¼ - 14⅛	14⅜ - 14⅛	14⅛ - 14⅛	13⅞ - 13¾	13⅛ - 12⅞	12⅝ - 12½
US Dollar	7⅞ - 7¾	7⅞ - 7¾	8⅛ - 8	8 - 7⅞	7⅞ - 7¾	7⅞ - 7¾
Can. Dollar	12¼ - 12	12¼ - 12	12⅛ - 11⅞	12⅛ - 11⅞	11⅞ - 11⅝	11⅝ - 11⅜
Dutch Guilder	8¾ - 8⅝	8⅞ - 8¾	8⅞ - 8¾	9 - 8⅞	9⅛ - 9	9⅛ - 9
Swiss Franc	8⅞ - 8⅝	8⅞ - 8⅝	8⅞ - 8¾	8⅞ - 8¾	8⅞ - 8¾	8⅞ - 8¾
D-Mark	8⅞ - 8¾	8⅞ - 8¾	9⅛ - 9	9⅛ - 9	9⅛ - 9	9⅛ - 9
French Franc	10 - 9⅞	10 - 9⅞	9⅞ - 9¾	10⅛ - 10	10¼ - 10⅛	10⅛ - 10
Italian Lira	13 - 11	12¼ - 11¾	12⅛ - 12⅛	12⅛ - 11⅞	12⅛ - 11⅞	12¼ - 12
Belgian Franc	9¼ - 9	9¼ - 9⅛	9⅜ - 9⅛	9⅝ - 9½	9⅝ - 9½	10 - 9⅞
Yen	8⅛ - 7⅞	8⅛ - 8	8⅛ - 8	8⅛ - 8	8⅛ - 8	8⅛ - 8
Danish Krone	9⅞ - 9⅝	9⅞ - 9⅝	10⅛ - 10	10¼ - 10⅛	10⅜ - 10¼	10⅜ - 10⅛
Asian $Sing.	7⅞ - 7¾	7⅞ - 7¾	8⅛ - 8	8⅛ - 8	8⅛ - 8	8⅛ - 7⅞

Long term Eurodollars: two years 8¼-8⅛ per cent; three years 8½-8⅜ per cent; four years 8⅝-8½ per cent; five years 8¾-8⅝ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Dec.5	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.924	2.888	258.8	9.788	2.468	3.258	2176	2.235	59.85
$	0.520	1	1.501	134.5	5.087	1.283	1.693	1131	1.162	31.11
DM	0.346	0.666	1	89.61	3.389	0.855	1.128	753.5	0.774	20.72
YEN	3.864	7.434	11.16	1000.	37.82	9.536	12.59	8408	8.636	231.3
F Fr.	1.022	1.966	2.951	264.4	10.	2.521	3.329	2223	2.283	61.15
S Fr.	0.405	0.780	1.170	104.9	3.966	1	1.320	881.7	0.906	24.25
H Fl	0.307	0.591	0.886	79.44	3.004	0.758	1	667.9	0.686	18.37
Lira	0.460	0.884	1.327	118.9	4.498	1.134	1.497	1000.	1.027	27.50
C $	0.447	0.861	1.292	115.8	4.379	1.104	1.458	973.6	1	26.78
B Fr.	1.671	3.215	4.825	432.4	16.35	4.124	5.444	3636	3.734	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
85	4-18	4-62	0-30	1-02
86	3-31	4-18	0-43	1-22
87	2-47	3-41	0-59	[illegible]
88	2-06	3-04	[illegible]	2-08
89	1-36	2-38	1-48	2-32
90	1-10	2-07	2-22	3-11
91	0-53	1-46	3-01	3-50
92	0-38	1-24	3-50	[illegible]

Estimated volume total, Calls 2692 Puts 382
Previous day's open int. Calls 10737 Puts 6180

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
92	3-54	4-24	0-48	1-40
93	3-06	3-48	[illegible]	2-00
94	2-27	3-13	[illegible]	2-29
95	1-52	2-45	1-46	[illegible]
96	1-21	2-17	2-15	3-33
97	0-60	1-56	2-54	4-08
98	[illegible]	1-34	3-35	4-50
99	0-29	1-16	4-23	5-32

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 309 Puts 320

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
8100	2.15	2.46	0.36	0.67
8150	[illegible]	2.09	0.46	0.80
8200	1.38	1.76	0.59	0.97
8250	1.05	1.46	0.76	1.17
8300	0.78	1.21	0.99	1.42
8350	0.57	0.99	1.28	[illegible]
8400	0.40	0.80	1.61	2.01
8450	0.28	0.64	1.99	2.35

Estimated volume total, Calls 1982 Puts 4119
Previous day's open int. Calls 31479 Puts 50751

LIFFE EUROMARK OPTIONS
DM1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
8975	0.93	1.06	0	0.02
9000	0.68	0.83	0	0.04
9025	0.44	0.61	0.01	0.07
9050	0.22	0.41	0.04	0.12
9075	0.05	0.24	0.12	0.20
9100	0.01	0.13	0.33	0.34
9125	0	0.06	0.57	0.52
9150	0	0.03	0.82	0.74

Estimated volume total, Calls 1980 Puts 200
Previous day's open int. Calls 17470 Puts 22827

LIFFE EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
9100	0.99	1.48	0	0
9125	0.74	1.24	0	0.01
9150	0.49	1.00	0	0.02
9175	0.25	0.77	0.01	0.04
9200	0.08	0.54	0.09	0.06
9225	0.01	0.36	0.27	0.13
9250	0	0.20	0.51	0.22
9275	0	0.10	0.76	0.37

Estimated volume total, Calls 50 Puts 0
Previous day's open int. Calls 4173 Puts 3432

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
8575	0.87	2.28	0	0
8600	0.63	2.04	0.01	0.01
8625	0.39	1.80	0.02	0.02
8650	0.22	1.57	0.10	0.04
8675	0.10	1.34	0.23	0.06
8700	0.04	1.12	0.42	0.09
8725	0.02	0.91	0.65	[illegible]
8750	0.01	0.71	0.89	0.18

Estimated volume total, Calls 3354 Puts 1757
Previous day's open int. Calls 82547 Puts 82294

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec	88-07	88-17	88-03	88-07
Mar	88-26	89-03	88-17	88-22
Jun	88-30			88-26

Estimated volume 19080 (20296)
Previous day's open int. 27326 (28604)

US TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Dec	95-16	95-25	95-11	95-15
Mar	95-03	95-15	94-29	95-03
Jun	94-24			94-24

Estimated volume 3102 (3275)
Previous day's open int. 5281 (5266)

6% NOTIONAL GERMAN GOVT. BOND
DM250,000 100ths of 100%

	Close	High	Low	Prev.
Dec	82.75	82.89	82.71	82.76
Mar	82.79	82.90	82.63	82.66
Jun	82.79	82.76	82.67	82.64

Estimated volume 38799 (77345)
Previous day's open int. 91273 (97582)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Dec	93.90	94.25	93.85	93.78
Mar	94.07	94.43	94.07	93.95

Estimated volume 83 (83)
Previous day's open int. 820 (824)

THREE MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Dec	86.62	86.68	86.58	86.65
Mar	88.03	88.15	87.98	88.08
Jun	88.72	88.84	88.66	88.78
Sep	88.87	88.96	88.84	88.91
Dec	88.91	89.00	88.88	88.95
Mar	88.75	88.82	88.73	88.77
Jun	88.73	88.76	88.73	88.73
Sep	88.67	88.71	88.71	88.68
Dec	88.77	88.82	88.82	88.79
Mar	88.78	88.82	88.82	88.80
Jun	88.81			88.83
Sep	88.81			88.83

Est. Vol. (inc. figs. not shown) 29998 (32427)
Previous day's open int. 142138 (143443)

THREE MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Dec	91.99	92.02	91.97	91.96
Mar	92.48	92.50	92.46	92.44
Jun	92.60	92.61	92.59	92.56
Sep	92.51	92.53	92.52	92.51
Dec	92.26	92.25	92.25	92.25
Mar	92.15			92.14
Jun	91.92			91.91
Sep	91.75			91.74

Est. Vol. (inc. figs. not shown) 5376 (8623)
Previous day's open int. 46512 (45851)

THREE MONTH EUROMARK
DM 1m points of 100%

	Close	High	Low	Prev.
Dec	90.65	90.68	90.64	90.64
Mar	90.79	90.81	90.73	90.75
Jun	90.94	90.95	90.90	90.91
Sep	91.04	91.04	91.02	91.01
Dec	91.06	91.06	91.05	91.05
Mar	91.07	91.07	91.06	91.05
Jun	91.07	91.07	91.06	91.05
Sep	91.07	91.08	91.06	91.05

Estimated volume 17852 (20648)
Previous day's open int. 77131 (77430)

THREE MONTH ECU
ECU 1m points of 100%

	Close	High	Low	Prev.
Dec	89.59	89.60	89.59	89.60
Mar	89.95	89.98	89.95	89.97
Jun	90.18			90.19
Sep	90.28			90.29

Estimated volume 167 (360)
Previous day's open int. 1698 (1691)

FT-SE 100 INDEX
$25 per full index point

	Close	High	Low	Prev.
Dec	2183.0	2195.0	2161.0	2171.0
Mar	[illegible]	[illegible]	[illegible]	2205.5
Jun	[illegible]			2240.0

Estimated volume 6314 (5898)
Previous day's open int. 27777 (27533)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9240	1.9148	1.8986	1.8778	1.8440

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.9288	1.9300	1.9260	1.9230
Mar	1.9042	1.9054	1.9010	1.8994
Jun	1.8800	1.8836	-	1.8800

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Dec	95-11	95-26	95-09	95-08
Mar	94-31	95-14	94-28	94-28
Jun	94-15	95-01	94-17	94-15
Sep	94-02	-	-	94-02
Dec	93-21	-	-	93-21
Mar	93-09	-	-	93-09
Jun	93-07	93-15	93-07	92-30
Sep	92-20	-	-	92-20
Dec	92-11	-	-	92-11
Mar	-	-	-	-
Jun	-	-	-	-

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec	93.02	93.03	93.02	93.01
Mar	93.61	93.63	93.61	93.61
Jun	93.77	93.79	93.77	93.78
Sep	93.78	-	-	93.78
Dec	93.57	-	-	93.57
Mar	93.53	-	-	93.53

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec	0.7820	0.7838	0.7818	0.7794
Mar	0.7804	0.7823	0.7801	0.7778
Jun	0.7766	0.7805	-	0.7766
Sep	0.7746	-	-	0.7746
Dec	0.7736	-	-	0.7736

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Dec	0.7457	0.7464	0.7445	0.7474
Mar	0.7450	0.7460	0.7442	0.7472
Jun	0.7466	-	-	0.7466
Sep	0.7460	-	-	0.7460

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Dec	0.6683	0.6690	0.6680	0.6649
Mar	0.6659	0.6668	0.6656	0.6625
Jun	0.6632	0.6632	0.6632	0.6598
Sep	0.6576	-	-	0.6576
Dec	0.6554	-	-	0.6554

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec	91.98	92.02	91.97	91.96
Mar	92.48	92.51	92.47	92.45
Jun	92.60	92.62	92.59	92.59
Sep	92.51	92.53	92.50	92.51
Dec	92.25	92.26	92.24	92.24
Mar	92.13	92.15	92.13	92.13
Jun	91.91	91.93	91.90	91.90
Sep	91.73	91.74	91.73	91.73

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Dec	327.10	327.40	326.60	328.20
Mar	329.55	330.25	329.35	330.95
Jun	334.00	-	332.75	334.00

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
1.825	10.65	10.65	10.65	10.63	-	0.27	1.02	1.64
1.850	8.15	8.19	8.43	8.50	-	0.60	1.60	2.34
1.875	5.66	6.02	6.49	6.74	0.10	1.13	2.38	3.14
1.900	3.40	4.19	4.83	5.20	0.45	1.92	3.28	4.23
1.925	1.72	2.73	3.35	3.92	1.29	2.99	4.34	5.36
1.950	0.61	1.78	2.47	2.90	2.65	4.44	6.06	7.09
1.975	0.10	1.06	1.78	2.09	4.66	6.23	7.80	8.81

Previous day's open int: Calls N/A Puts N/A (All currencies)
Previous day's volume: Calls N/A Puts N/A (All currencies)

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Close	Change	High	Low	Yield	Open Int.
December	99.96	99.92	+0.03	100.04	99.78	10.01	37,513
March	99.96	99.94	+0.02	100.08	99.84	10.01	31,164
June	100.00	100.04	+0.04	100.08	100.00	9.99	6,232
September	-	-	-	-	-	10.04	276

Estimated volume 78,538 Total Open Interest 75,185

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls Sept.	Puts March	Puts June	Puts Sept.
97	3.28	-	-	0.40	-	-
98	-	-	-	0.60	-	-
99	-	-	-	0.84	-	-
100	1.17	-	-	1.22	-	-
101	0.76	-	-	-	-	-
102	0.43	0.95	-	-	-	-
Open Int.	87,682	14,244	0	94,214	14,901	0

Estimated volume 28,801 Total Open Interest 213,936

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open Int.
December	89.83	89.79	-0.05	89.83	89.75	10.21	14,712
March	89.93	89.90	-0.04	89.94	89.86	10.10	14,302
June	89.94	89.93	-0.02	89.97	89.88	10.07	7,557
September	90.09	89.95	-0.05	90.01	89.95	10.05	1,416

Estimated volume 12,843 Total Open Interest 34,961

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
December	1676.0	1677.0	+10.0	1688.5	1668.0	7,276
January	1685.0	1677.0	+12.0	1695.0	1677.0	351
February	1695.0	1695.0	+12.0	1695.0	1695.0	210
March	-	-	-	-	-	0

Estimated volume 6,076 Total Open Interest 7,837

BASE LENDING RATES

	%		%		%
ABN Bank	14	Coutts & Co	14	NatWestminster	14
Adam & Company	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
Allied Trust Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
AIB Bank	14	Duncan Lawrie	14	Provincial Bank PLC	15
● Henry Ansbacher	14	Equatorial Bank plc	14	Roxburghe Bank Ltd.	14½
Associates Cap Corp	15½	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
● B & C Merchant Bank	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank of Baroda	14	First National Bank Plc.	16	● Smith & Williamson Secs.	14
Banco Bilbao Vizcaya	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank Credit & Comm	14	Robert Fraser & Ptnrs.	14½	TSB	14
Bank of Cyprus	14	Girobank	14	Unibank plc	14
Bank of Ireland	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of India	14	HFC Bank plc	14	United Mizrahi Bank	14
Bank of Scotland	14	● Hambros Bank	14	Unity Trust Bank Plc	14
Banque Belge Ltd	14	Hampshire Trust Plc	14½	Western Trust	14
Barclays Bank	14	Heritable & Gen Inv Bnk.	14	Westpac Bank Corp.	14
Benchmark Bank	14	● Hill Samuel	14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	Yorkshire Bank	14
● Brown Shipley	14	Hongkong & Shangh	14		
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk.	14		
Clydesdale Bank	14	Midland Bank	14		
Comm.Bk.of London Plc	14	Mount Banking	14		
Co-operative Bank	*14	Nat Bk. of Kuwait	15		

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MONEY MARKETS

London's softer tone

THERE WAS a softer tone to interest rates in London as pressure eased in Frankfurt, but there were doubts whether the Bundesbank's large allocation of funds at a securities repurchase agreement tender was particularly generous.

Central banks in Belgium and Italy nudged rates higher yesterday to defend their currencies in the ERM.

UK clearing bank base lending rate
14 per cent
from October 8, 1990

In Frankfurt call money eased to 8.45 from 8.50 per cent following a net addition of DM13.6bn at a securities repurchase agreement tender. The central bank accepted bids totalling DM41.0bn for 30-day and 58-day funds, against two expiring facilities of DM27.4bn, but much of the extra liquidity will be required to repay high Lombard borrowings; money borrowed from public authorities under section 17 of the Bundesbank act; and unwinding currency swaps.

The Belgian National Bank raised its three-month Treasury bill rate, the main instrument of credit policy, by 0.40 per cent to 9.50 per cent and the average rate on a Bank of Italy repurchase tender rose to 13.07 from 13.05 per cent.

In London three-month interbank was quoted at 13¾-13⅝ per cent against 13⅞-13¾.

December short sterling futures weakened on Liffe, touching a low of 86.58 and finishing at 86.62 compared with 86.65 previously.

Credit was in short supply on the London money market. The Bank of England initially forecast a shortage of £1,300m, but revised this to £1,350m at noon and back to £1,300m in the afternoon.

Total help of £1,236m was provided. In an early round of help the authorities bought £369m bank bills in band 2 at 13¾ per cent. Before lunch another £231m bills were purchased, by way of £1m Treasury bills and £143m bank bills in band 1 at 13¾ per cent and £87m bank bills in band 2 at 13¾ per cent.

In the afternoon £476m bills were bought, via £6m Treasury bills and £395m bank bills in band 1 at 13¾ per cent, plus £9m Treasury bills and £66m bank bills in band in band 2 at 13¾ per cent. Late assistance of around £160m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £316m, with exchequer transactions absorbing £860m and a rise in the note circulation £160m. These outweighed bank balances above target of £35m.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.5) 3 months US dollars		6 months US Dollars	
bid 7⅞	offer 8⅛	bid 7⅞	offer 7⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9½
Fed.funds	7⅛
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	7.22	Three year	7.59
Two month	7.29	Four year	7.75
Three month	7.26	Five year	7.83
Six month	7.24	Seven year	8.10
One year	7.25	10-year	8.19
Two year	7.48	30-year	8.35

Dec.5	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.40-8.50	9.00-9.20	9.05-9.20	9.00-9.20	9.05-9.25	8.50
Paris	10-10⅛	9⅞-9¾	9⅞-10	10-10⅛	10⅛-10⅛	9.25
Zurich	7⅞-7⅞	8⅞-8⅞	-	8⅞-8⅞	-	-
Amsterdam	8.93-9.06	9.10-9.18	-	9.18-9.26	-	-
Tokyo	8-8⅛	8⅞-8⅞	-	8⅞-8⅛	-	-
Milan	11½-11¾	13¼-13⅞	-	13⅞-13½	-	-
Brussels	6.95	9⅞-9⅞	-	9⅞-9⅞	-	-
Dublin	9⅞-9⅛	10⅞-10⅞	10⅞-10⅞	10⅞-10⅞	11-11⅛	-

LONDON MONEY RATES

Dec 5	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14⅛	14⅛	14⅛	13⅞	13	12⅝
Interbank Bid	14⅛	14⅛	14⅛	13½	12⅞	12½
Sterling CDs	-	-	14⅛	13⅞	13	12½
Local Authority Deps.	14	14⅛	14⅛	13⅞	13⅛	12⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14⅛	14⅛	13⅞	13⅞	-	-
Company Deposits	-	-	14⅛	13⅞	13⅛	12⅞
Finance House Deposits	-	-	14⅛	13⅞	13	12⅞
Treasury Bills (Buy)	-	-	13⅞	13	-	-
Bank Bills (Buy)	-	-	13⅞	13⅛	12⅞	-
Fine Trade Bills (Buy)	-	-	14⅛	13⅞	12⅞	-
Dollar CDs	-	-	8.32	8.00	7.93	7.87
SDR Linked Dep Offer	-	-	9	9⅛	9⅛	9⅛
SDR Linked Dep. Bid	-	-	8⅞	9	8⅞	8⅞
ECU Linked Dep. Offer	-	-	9⅞	10⅛	10⅛	10⅛
ECU Linked Dep. Bid	-	-	9⅞	10⅛	10⅛	10⅛

Treasury Bills (sell): one-month 13⅞ per cent; three months 12⅞ per cent; Bank Bills (sell): one-month 13⅞ per cent; three months 12⅞ per cent; Treasury Bills: Average tender rate of discount 12.6997 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November 1, 1990. Agreed rates for period Dec 26, 1990 to Jan 25, 1991, Scheme I: 14.59 p.c., Schemes II & III: 14.57 p.c. Reference rate for period Nov 30, 1990 to Nov 30, 1990, Scheme IV&V: 13.698 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14½ from December 1, 1990. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Oct 8, 1990. Deposits withdrawn for cash 8 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

Gross | Net | Cr Equiv CAR | Int Cr

CAF Money Management Co Ltd
48 Pembury Road, Tonbridge TN9 2JD 0732 770114
Cafcash Deposit Fd. 14.26 - 15.04 6 Mth

The CBF Charities Deposit Account
2 Fore Street, London EC2Y 5AQ 071-588 1815
Deposit 14.30 - 15.09 3-Mth

Cent. Bd. of Fin. of Church of England
2 Fore Street, London EC2Y 5AQ 071-588 1815
Deposit 14.30 - 15.09 3-Mth

Gartmore Money Management Ltd
2-3 White Hart Yard, London SE1R 1NX 071-236 1425
Call Fnd. 13.79 10.76 14.73 6-Mth
7-day Fund 14.02 10.94 14.99 6-Mth
Special Fund 14.14 - 15.18 1-Mth
Dollar 6.25 4.87 6.63 3-Mth

Money Market Bank Accounts

Gross | Net | Cr Equiv CAR | Int Cr

AIB Bank High Interest Cheque Account
Belmont Rd, Uxbridge UB8 1SA 0800 282115
£2,500-£9,999 12.00 9.36 12.92 Qtr
£10,000+ 13.00 10.14 14.04 Qtr

Aitken Hume Bank plc
30 City Road, EC1Y 2AY 071-638 6070
[illegible]

Allied Trust Bank Ltd
97-101 Cannon St, London, EC4N 5AD 071-626 0879
[illegible]

American Express Bank Ltd
c/o American Express Financial Services Limited
Sussex House, Burgess Hill
West Sussex, RH15 9AW 0444 239230
High Performance Cheque Account
[illegible]

Bank of Ireland High Interest Cheque Acc
36 Queen St, EC4R 1BN 0753 516516
[illegible]

Bank of Scotland
38 Threadneedle St, EC2P 2EH 071-601 6446
[illegible]

Barclays Capital Advantage Account
PO Box 120, Westwood Bs Pk, Coventry 0203 694242
[illegible]

Barclays Prime Account H.I.C.A.
PO Box 125, Northampton 0604 252891
[illegible]

Benchmark Bank PLC Premier Account
86 Newman Street, W1P 3LD 071-631 3313
[illegible]

B & C Merchant Bank PLC Portfolio Acc
19 Motcomb Street, London SW1X 8LB 071-245 6616
[illegible]

Brown Shipley & Co Ltd
Founders Court, Lothbury, London EC2
[illegible]

Caledonian Bank Plc
8 St Andrew Square, Edinburgh EH2 2PP 031 556 8235
[illegible]

Cater Allen Ltd
25 Birchin Lane, London EC3V 9DJ 071-623 2070
[illegible]

Charterhouse Bank Limited
1 Paternoster Row, EC4M 7DH 071-248 4000
[illegible]
Many other currencies are available—for rates please phone ext 2168

Chibank Savings
St Martins Hse, Hammersmith Grove W6 081-741 4941
[illegible]

Clydesdale Bank PLC
30 St Vincent Place, Glasgow G1 2HL 041 248 7070
[illegible]

Co-operative Bank Top Tier
78-80 Cornhill EC3 0800 616162
[illegible]

Coutts & Co
Reserve Account
440 Strand, London WC2R 0QS 071-753 1000
[illegible]
Coutts Composite Account for clients money
27 Bush Lane, London EC4R 0AA 071-623 3434
[illegible]

Dartington & Co Ltd
10 The Crescent, Plymouth PL1 3AB 0752 673875
Money Mkt Acc. 13.00 10.14 14.05 Qtr

Edington Plc
1 King Street, Manchester M2 6AW 061 834 2535
[illegible]

Financial & General Bank plc
15 Lowndes Street, London, SW1X 9EX 071-235 0036
[illegible]

Gartmore Money Management Ltd
2-3 White Hart Yard, London SE1 1NX 071-236 1425
Money Mngt. Acc. 13.125 10.24 14.14 3-Mth

Girobank plc High Interest Cheque Acc
10 Milk St., London EC2V 8JH 071-600 6020
[illegible]

Humberclyde Finance Group
Chilley Ct, Winchester Rd, Basingstoke 0256 841863
[illegible]

Kleinwort Benson Ltd
158 Kentish Town Rd, London NW5 2BT 071 267 1586
H.I.C.A. (£2,500+) 12.25 9.555 13.327 Daily

Lloyds Bank – Investment Account
71 Lombard St, London EC3P 3BS 0272 433372
[illegible]

Midland Bank plc
PO Box 2, Sheffield 0742 529858
[illegible]

NatWest Crown Reserve Account
41 Lothbury, London, EC2P 2BP 071-374 3374
[illegible]

Provincial Bank PLC
30 Ashley Rd, Altrincham, Cheshire 061-928 9011
H.I.C.A. (£1,000+) 13.125 10.24 14.31 Mth

Royal Bank of Scotland plc Premium Acc
42 St Andrew Sq, Edinburgh EH2 2YE 031-225 5650
[illegible]

Save & Prosper/Robert Fleming
28 Western Rd, Romford RM1 3LB 0708 766966
H.I.B.A. 12.25 9.56 13.57 Daily

Sterling Bank & Trust Ltd
Abbey Gdns, 6 Abbey St, Reading RG1 3BA 0734 580547
[illegible]

Tyndall & Co Ltd
29-33 Princess Victoria St, Bristol 0272 744720
[illegible]

United Dominions Trust Ltd
PO Box 135, Abbey St, Reading RG1 3BB 0734 580411
Capital Plus Cheque Account
£1,000+ 13.40 10.61 14.31 -

J. Henry Schroder Wagg & Co Ltd
120 Cheapside, London EC2V 6DS 071-382 6000
[illegible]

Western Trust High Interest Cheque Acc
The Moneycentre, Plymouth PL1 1SE 0752 224141
[illegible]

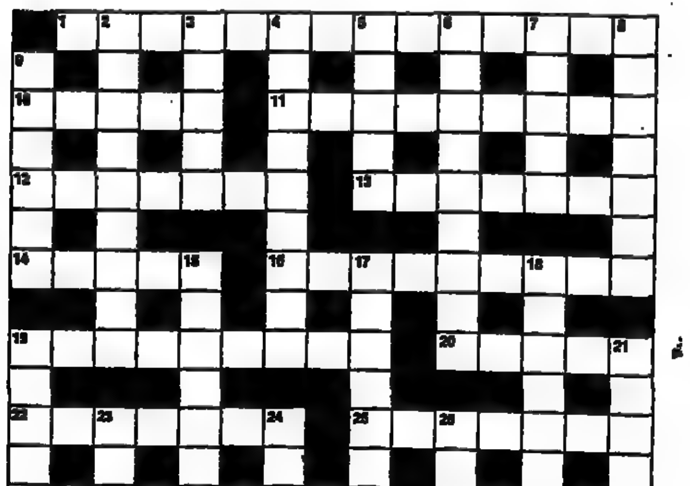
Wimbledon & South West Finance PLC
114 Newgate St, London EC1 7AE 071-606 9485
High Int Cheque Acc. 13.50 10.53 14.65 Qtr

NOTES—Gross rate is those current from gross/gross rate of tax. Net actual rate after deduction of CRT. Cr Equiv CAR: Gross equivalent to basic rate taxpayers—Compounded annual rate. Int. Cr: frequency interest credited.

JOTTER PAD

CROSSWORD

No.7,412 Set by DANTE



Nine solutions have a connection with 1 across.

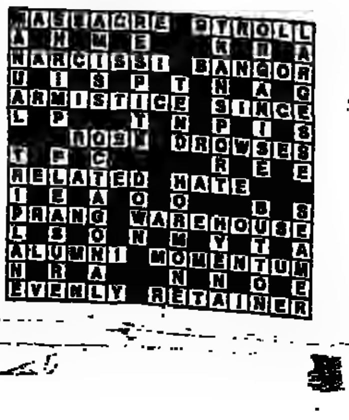
ACROSS

1 Famous Victorian maker of children's cakes (7,7)
10 Clerk gives a number a bad turn (5)
11 Girl gaped at strange lady of rapacious benevolence (9)
12 Job for a horse (7)
13 A noble estate (7)
14 Taxi holds the French associate of Joshua (5)
16 Aristocratic address has name on door bell perhaps (5,4)
19 Loan child new toy that's breakable (5,4)
20 Give a name to first-class city of Arabia (5)
22 Paints lads red, perhaps, for two in the family (7)
25 Shropshire town has an Irishman as a lawyer's clerk (7)
27 Encourage by backing the French brothers Ned and Charles (9)
28 Ada left in charge (5)
29 Dowry to be set to change for David's aunt (6,8)

DOWN

2 Classical equivalent of Tom, Dick and Harry (3,6)
3 Wayward steer to refuse to move (5)
4 Not one's mother tongue but it could be pater's one (9)
5 Had the temerity to pop round the Royal Exchange (5)
6 Fowl pest in the garden for Conkey (9)
7 Went round or moved sideways (5)
8 Held up flow or flower (7)
9 Acid liable to tie a couple of hundred in knots (6)
15 Is free to win – great! (2,2,5)
17 Freezing with nothing on top (5,4)
18 It's essential in performance (9)
19 It may be smoked and eaten with butter (4-3)
21 One taking Kelly round Yorkshire moor (6)
23 Lived in the past (5)
24 Boast about hand-made footwear (5)
26 Tropical bird has a bill in its stomach (5)

Solution to Puzzle No.7,411



WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Dec. 4	Dec. 3	Nov. 30	Nov. 29	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2579.70	2565.59	2559.65	2518.81	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	90.86	90.99	90.62	90.39	93.04 (3/1)	88.44 (24/9)	—	—
Transport	881.84	872.04	853.00	828.22	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	212.71	211.77	212.09	208.38	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2592.08 (2589.60) Low 2534.65 (2543.5a)

STANDARD AND POOR'S	Dec. 4	Dec. 3	Nov. 30	Nov. 29	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	326.35	324.10	322.22	316.42	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	381.93	380.05	377.92	371.25	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	23.14	22.53	22.25	21.81	31.87 (3/1)	18.80 (29/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	178.19	177.07	176.06	173.14	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	302.64	302.60	301.79	299.67	382.45 (5/1)	288.07 (30/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	364.12	361.32	359.02	355.75	469.60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Nov.30	Nov 23	Nov.16	year ago (approx.)
Dow Industrial Div. Yield	4.01	4.06	4.01	3.87
	Nov.28	**Nov.21**	**Nov.14**	**year ago (approx.)**
S & P Industrial div. yield	3.42	3.44	3.39	2.97
S & P Indl. P/E ratio	15.37	15.29	15.47	14.25

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
First Chicago	9,203,200	18¼	+ 1
First Bank	6,673,600	13¼	+ ⅛
Chicorp	5,127,100	14⅛	+ 1⅛
Am T & T	3,673,200	30⅜	+ ⅛
NCR	3,146,100	85⅝	+ 2
Fannie Mae	2,640,800	31⅝	+ ⅛
Glaxo Hlds	2,213,800	33⅛	+ ⅛
Philip Morris	2,209,700	49⅝	+ ⅛
Toys R US	2,200,800	23⅛	- 1⅛
BankAmerica	1,894,000	24½	+ 1⅛

TRADING ACTIVITY

† Volume (Millions)	Dec. 4	Dec. 3	Nov. 30
New York	185.820	177.010	192.350
Amex	10.748	10.742	12.607
NASDAQ	124.854	123.810	131.276
Issues Traded	1,993	2,009	1,996
Rises	905	954	1,127
Falls	633	610	420
Unchanged	455	445	449
New Highs	33	32	19
New Lows	38	29	35

CANADA

TORONTO	Dec. 4	Dec. 3	Nov. 30	Nov. 29	1990 HIGH	1990 LOW
Metals & Minerals	2670.70	2631.46	2586.85	2556.12	3453.05 (4/1)	2486.60 (8/11)
Composite	3189.76	3162.11	3151.01	3138.99	4009.47 (3/1)	3009.91 (16/10)
MONTREAL Portfolio	1699.06	1679.44	1668.45	1665.31	2060.90 (3/1)	1607.24 (16/10)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 5 December 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	11.8m	355	+5	S'tomo Metal	5.0m	403	+8
Kyosan Elec	9.2m	1,350	-50	NKK	4.9m	350	0
Kurabo Inds	5.9m	985	-25	K'saki Steel	4.5m	378	+3
Hitachi	5.5m	1,080	+30	Isetu	4.2m	520	-30
Honshu Paper	5.0m	2,200	+50	Osaka Gas	4.0m	422	+7

3pm prices December 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
37⅞	9½	AAR	.48	3.6	8	536	13¼	12⅞	13¼	+1
9⅝	7⅞	ACM n	1.01	11.		292	8⅞	8⅝	8⅞	+⅛
11⅛	8¾	ACMIn	1.26	13.		1148	10	9⅞	9⅞	-⅛
9¼	8½	ACM M	n1.01	13.		1124	7⅞	7⅞	7⅞	
12⅜	10	ACMMBd	1.50	13.		146	11⅛	11⅛	11⅛	
11½	8⅝	ACM Sc	1.26	13.		1815	9⅝	9½	9⅝	+⅛
9⅝	7¼	ACMSp	1.01	12.		238	8½	8⅜	8½	
24⅝	16⅛	AL Lab	.16	.7	18	392	23	22⅜	22½	+⅛
4⅝	1	AM Intl				92	1⅜	1¼	1¼	
19¼	4⅝	AM In pf	2	25.		26	8	7⅞	8	-⅛
70¼	38½	AMR			75	6633	50½	48⅞	50⅜	+⅞
24⅝	22⅛	ANR pf	2.12	9.3		1	22⅞	22⅞	22⅞	-⅛
4	1⅜	ARX				37	1⅞	1¾	1⅞	
72⅞	38¼	ASA	3	7.5		651	40½	39⅝	39⅝	-½
3½	2⅛	ATTC wt				1212	2⅛	d2⅛	2⅛	-⅛
45⅝	31¼	AbtLab	s.84	1.9	21	4425	44⅞	43⅞	44½	-⅛
14	10⅞	Abitibi g	.50			68	11	d10⅛	10⅞	-½
11⅝	4⅝	AcmeC	.40	7.6	12	88	5¼	5¼	5¼	-⅛
9⅝	5	AcmeE	.32	6.2	8	23	5¼	5	5⅛	
32⅞	18⅞	Acuson s			22	425	28⅛	27⅞	28⅛	-⅛
16⅞	14⅛	AdaEx	1.72e	12.		95	14⅞	14½	14⅞	
15⅞	10	Adobe				10	10⅝	10½	10½	-⅛
20¼	16	Adob pf	1.84	11.		4	17⅛	17½	17½	
21⅝	19⅛	Adob pf	2.40	12.		46	19½	d19¼	19¼	-⅛
11⅞	3⅝	AMD				4058	4⅝	4¼	4⅝	+⅛
32⅞	13	AMD pf	3	20.		87	15⅛	15	15	+⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from previous Page

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices December 5

NASDAQ NATIONAL MARKET

3pm prices December 5

AMERICA

Financial sector helps to erase opening losses

Wall Street

INITIAL profit-taking after the sharp gains of Tuesday night saw US equities open lower yesterday morning, but another strong performance from the financial sector helped the leading index recover in a see-saw session, *writes Patrick Harverson in New York.*

At 1.30 pm the Dow Jones Industrial Average was up 0.99 at 2,580.69 on good turnover. The Standard & Poor's 500 index was also higher, up 1.30 at 327.65 at 1 pm, while the American SE Composite was slightly firmer at 303.61. Over-the-counter stocks were also higher, the Nasdaq composite rising 3.32 to 367.43 in early afternoon trading.

Tuesday's report that Iraq was willing to strike a deal over withdrawing from Kuwait proved unsubstantiated, but hopes remained of a peaceful solution to the Gulf crisis, and sentiment was also helped by another fall in oil prices, $1.71 to $28.95 for a barrel of January crude at midday.

The domestic feature of the day was once again bank and financial stocks, which maintained their upward momentum following the Federal Reserve's decision to lower bank reserve requirements. The move, although not regarded as an easing of monetary policy, was seen as an attempt to inject some liquidity into the economy by giving banks more room to lend.

Citicorp rose $1⅝ to $15⅝ on turnover of 2.4m shares, followed by Chase Manhattan, up $1 at $12½ on volume of 1.7m shares. Manufacturers Hanover was especially well bid, rising $2⅜ to $22¾, while Bankers Trust put on $2⅛ to $43⅛.

The Federal National Mortgage Association (Fannie Mae) was dragged higher on the back of the bank gains, the shares advancing $1⅝ to $33 on turnover of 2.7m shares, the best volume of the morning.

Toys 'R' Us, the biggest toy retailer in the US, dropped $⅝ to $22½ in active dealings after its chief rival, Child World, said that it would stop paying its bills for six weeks in an attempt to avoid bankruptcy. Child World shares, sold over the counter, rose on the news, gaining $⅛ to $3⅞.

The drop in crude oil prices took the shine off oil stocks. Exxon was $⅜ lower at $50⅛, Texaco down $⅜ at $58⅝ and Occidental down $½ at $20⅞.

Investors continued to buy shares in NCR, the computer group, hoping for a cash bid from AT&T, which announced on Monday a share swap offer worth $6bn, or $90 a share. NCR rose $2⅜ to $86½ on turnover of 1.3m shares, after standing at $56 just before Monday's bid was launched, while AT&T fell $¼ to $30 with over 2m shares changing hands.

Some market analysts believe that AT&T will raise its offer to $100 a share cash.

Canada

THE TRANSPORT sector rallied after a sharp fall in crude oil futures, helping Toronto stocks to climb by midday in spite of losses in oil and gold shares. The composite index firmed 10.3 to 3,200.1 on volume of 12.8m shares.

Banks continued to rise after Tuesday's news that the US Federal Reserve is eliminating reserve requirements on certain deposits.

Seagram firmed C$¾ to C$100½ on third-quarter earnings up from C$1.77 to C$2.01 a share. Hollinger rose C$⅛ to C$11⅛ after it said that it would pay an extra dividend of 30 cents a common share.

Toronto-Dominion Bank rose C$⅛ to C$17 in spite of news from Moody's Investors Service that it might downgrade the bank's long-term debt.

SOUTH AFRICA

JOHANNESBURG firmed again on strong institutional demand in anticipation of lower interest rates early in the new year. The JSE industrial index climbed a further 27 to 3,930 and the all-gold index closed 8 higher at 1,253.

Swiss pension fund managers muster their courage

There are signs that they are considering a greater exposure to equities, writes **William Cochrane**

ARE THE conservative Swiss pension fund managers and their equally cautious opposite numbers in the country's life insurance companies about to put a floor under their domestic equity market?

There are now some signs that they will increase their exposure to equities. The transition will not be dramatic; traditionally, the Swiss are not known for making changes overnight. However, there is some empirical evidence to suggest that change is coming, in part because of foreign competition.

The prospects began to surface early in 1989 when Mr Markus Lusser, the president of the Swiss National Bank, severely criticised the country's pension funds for their attitude towards the equity market.

At that time the funds had an estimated SFr190bn ($149bn) under management, or close to the entire capitalisation of the Swiss equity market. They had only 5 to 6 per cent of their portfolios in equity investment, although the upper limit then permitted by the Swiss federal authorities was 30 per cent.

There was, however, no limit on real estate weighting and, at that stage of the 1980s, the commercial property markets of western Europe were booming. Institutional investors, therefore, were heavily into real estate and underweight in equities.

Mr Chris Heminway of London brokers Williams de Broë observed then that there had been much speculation about the possibility of Swiss pension fund money being diverted to equities, but that there was no apparent follow-through. "It may be," he said, "that the stinging criticism from Markus Lusser will now provoke some action."

The ground had been prepared by legislation passed in 1989, limiting property investment by Swiss life offices and pension funds to 30 per cent of total assets; the legal maximum of assets which could be held in equities had been boosted, a little earlier than this, from 30 per cent to 50 per cent.

Earlier this year, empirical evidence suggested for the first time that the shift was beginning to happen.

The new legislation inspired a study by Mr Stephan Hepp of the University of St Gallen, who canvassed 42 per cent of Swiss pension funds and found that they had just 5 per cent of their portfolios in domestic equities in 1988, but expected to raise this to 10 per cent over the five years 1990-95.

The study estimated that, while pension funds and life insurers had bought a total of SFr1.14bn of domestic equities in 1986-87, the figure would rise to an annual SFr4.55bn by 1992.

A similar situation applied to insurance companies. Until now, says Mr Heminway, Swiss life offices have been producing paltry returns to policyholders of about 4 per cent a year, mainly because this was all that they were required to earn on a statutory basis; they could invest in bonds and achieve such a result.

However, the industry is becoming more competitive. The Swiss market is open to foreign invasion, in particular by UK insurance companies showing historic rates of return of 15 per cent a year. In addition, Swiss banks appear to be interested in offering more comprehensive financial services, the *allfinanz* or *bancassurance* concept popularised in Germany, France and, more recently, in the Netherlands via the Nationale Nederlanden/NMB Postbank merger.

Mr Heminway, having spoken to Zurich Insurance, Winterthur and a couple of smaller insurance companies since the beginning of September, suggests that the Swiss life offices will be increasing their weighting in equities from an existing 9 per cent to a target of 14 per cent in 1992.

He was guided partly by Winterthur, which said straightforwardly that it expects to increase its own weighting on these lines. Zurich Insurance has a stated policy of increasing its equity weighting, but it has not put a figure on it.

Williams de Broë's figures project total new investment in the Swiss equity market of SFr4.1bn in 1990, rising through SFr6.5bn in 1991 to SFr7.2bn in 1992, and declining only slightly to SFr6.9bn in 1993. This compares with actual new investment of SFr1bn to SFr1.5bn in the late 1980s.

These are sizeable, but not unmanageable, figures. Recent volume in the Swiss equity market has been about SFr250m a day, but it has averaged SFr800m a day this year, indicating an annualised figure of SFr200bn.

Mr Heminway thinks, therefore, that the projected increase in domestic institutional business will give the market a floor, a basis from which to grow. "It would limit the downside and provide a very good basis for an upward movement."

But in the short term, grass roots research like this has to contend with the deep conservatism of the Swiss financial establishment, to say nothing of potential war in the Gulf.

"The problem for the short term," Mr Heminway says ruefully, "is that a couple of small Swiss insurance companies have just cancelled their equity investment programmes for the rest of this year."

SWISS PENSION FUNDS: INVESTMENT POLICY

Investment	Actual Weighting (1988) %	Intended Change (1990-95) %	Future Weighting %	Legal Maximum %
Domestic				
Bonds	37	−9	26	100
Equities	5	+5	10	50
Real Estate	23	−3	20	30
Foreign				
Bonds	5	+4	9	30
Equities	3	n/a	–	20
Real Estate	n/a	n/a	–	5

Source: Occupational Pension Schemes in Switzerland. An Emerging New Investment Force (By Stephan Hepp/University of St. Gallen).

EUROPE

Attitudes harden after Gulf hopes produce early lift

BOURSES heard a satellite television story about peace prospects in the Gulf, and prices moved up yesterday before attitudes hardened later in the day, *writes Our Markets Staff.*

FRANKFURT ended 1.7 per cent higher, the DAX index putting on 24.62 to 1,470.96 after a 6.29 rise to 631.35 in the FAZ at midsession. Volume rose from DM4bn to DM4.9bn.

Hopes that the Gulf crisis would soon be solved helped chemicals in particular. BASF rose DM5.30 to DM212.80, Bayer DM4.70 to DM217.70 and Hoechst DM6.40 to DM205.40.

However, Henkel, the speciality chemicals group, dropped DM34.80 or 6 per cent to DM546. Its forecast of flat 1990 net profits, hurt by developments in Brazil, had forced analysts to reduce their forecasts by about 10 per cent, said Ms Penny Tattersall at BZW. She thought that the decline had been overdone, calculating that the stock's p/e had fallen to a 13 per cent premium on the market from the 35 per cent it has tended to rate.

Deutsche Bank, meanwhile, put on DM13 to DM621.50 after its 10-month results, which revealed that its stock market-associated earnings had been severely hit by the Gulf crisis, and that its total operating profits, revealed for the first time, were up 6 per cent. Mr Robert Law of Shearson Lehman said that the figures were better than Dresdner's, but much as expected.

PARIS began in confident mood, but optimism faded after Wall Street opened lower, and following reports of a threat of massive force against Iraq by US Secretary of State James Baker. The CAC 40 index closed 13.91 up at 1,660.44 after reaching a high of 1,673.30.

Eurotunnel was again in focus, rising FFr1.60 to FFr35.85 with 6.3m shares traded. It said that about 84.3 per cent of the UK part of its rights issue had been taken up – more than expected.

Thomson-CSF rose FFr5.80 to FFr119.40 in active trading. On Tuesday, the defence electronics company said that it had signed a contract worth FFr3.4bn to supply missile systems to Saudi Arabia.

Auxiliaire d'Entreprises, the construction company which has attracted speculative attention recently, lost FFr26 to FFr1,159. Ocisa of Spain has raised its stake to 6.23 per cent from about 5 per cent.

AMSTERDAM rose, but finished below its peak after an early Wall Street decline. The CBS Tendency index rose 0.6 to 96.3 as a rise in money market rates took the edge off Tuesday's news of a 5.5 per cent rise in gross national product in the third quarter.

Pirelli Tyre fell 50 cents to Fl 20.50 after forecasting that it would only break even in 1990 following a profit of Fl 206.5m in 1989. Nationale-Nederlanden fell 20 cents to Fl 50 while NMB Postbank added 20 cents to Fl 41 after the companies said that they would not alter the terms of their merger.

Hoogovens, the steel and aluminium group, gained 60 cents to Fl 54.10 after saying it would reorganise its die-cast aluminium production.

MILAN's Comit index rose 6.49 to 527.71 in moderately active trading, as short positions created by the market's recent sell-off were covered. Schroders had noted that, in November, Italy had underperformed Europe ex the UK by about 8 per cent, and looked forward to a rally in December.

Meanwhile, County NatWest said that November unit trust figures showed net intakes of L269bn, confirming the positive trend of the past six months.

Snia, a holding company allied to Fiat, fell L5 to L1,500 against the trend as its defence unit cut 572 jobs after a sharp drop in demand.

OSLO slipped for a second day, although the shipping sector resumed an upwards direction. The all-share index eased 2.99 to 477.32, but the shipping index rose 1.03 to 575.25 with Bergesen A shares, which have jumped 20.4 per cent in seven sessions, gaining NKr2 to NKr136. One analyst said that Bergesen, which includes very large crude carriers in its fleet, has been benefiting from higher shipping rates.

HELSINKI declined, with the Unitas all-share index losing 1.6 to 414.0, although the free B shares of Pohjola, which said it was considering a restructuring, rose FM4 to FM78. STOCKHOLM continued to advance, but share prices ended below their day's highs. The Affärsvärlden General index gained 5.9 to 886.4 in turnover of SKr211m, down from SKr319m.

MADRID's general index put on 2.11 to 224.64, on demand for banks and electricity companies. Trading was moderate but more active than expected before today's holiday.

Ocisa, the construction company which said that it had increased its stake in Auxiliaire d'Entreprises of France, added Pta120 to Pta8,270.

ZURICH saw good volume in the blue chips, "the first real market we've had so far this month", according to one dealer, as the Crédit Suisse index rose 3.5 to 473.0. Traders said that interest in the blue chips came from both Swiss and foreign investors.

ISTANBUL rose sharply on the satellite news report on the Gulf, the market index closing 182.74, or 5.3 per cent, higher at 3,641.78. However, at one stage last week, the market had fallen by more than 40 per cent since a high of more than 5,700 four months ago.

ATHENS rose again after Tuesday's correction, with the general index gaining 22.18 or 2.3 per cent to 977.22.

ASIA PACIFIC

Nikkei recovers on short-term buying

Tokyo

GULF hopes, taking over from arbitrage-related trading, left the Nikkei average higher yesterday as investors looked for short-term gains in a thin market, *writes Emiko Terazono in Tokyo.*

The 225-share Nikkei closed 331.11 ahead at 22,193.72 after Tuesday's fall of 863.38. The day's low was 21,626.64, on selling by individual investors facing additional margin requirements; the high was 22,250.64. However, declines led gains by only 467 to 451, with 131 issues unchanged.

Turnover stayed low, although it rose from 240m to 350m shares. The Topix index of all listed stocks moved up 16.48 to 1,639.13, but in London the ISE/Nikkei 50 index eased 2.43 to 1,260.88.

Government bonds responded favourably to reports that Iraq might withdraw from Kuwait, the 119 benchmark bond closing on a yield of 7.215 per cent, down 12½ basis points. Support also came from rumours that the four big Japanese securities houses were meeting the Ministry of Finance to discuss stabilising equity prices.

However, activity was dominated by arbitrage-related trading. "Only the index-related large-capital stocks moved up, while medium and small-capital issues dropped," said Ms Benedicte Ivey at Crédit Lyonnais Securities. "The only people active are the arbitrageurs." She added that although investors were desperately hoping for the traditional year-end rally, sentiment continues to be negative.

Interest-sensitive issues rose on lower bond yields. Power utilities were strong, Tokyo Electric Power advancing Y200 to Y3,300 and Chubu Electric Power Y180 to Y2,710.

The US Federal Reserve's announcement that it will cut some reserve requirements helped bank shares. IBJ gained Y60 to Y2,870 and Sumitomo Bank was up Y70 to Y1,800.

Other financials such as securities houses and non-life insurers were also firm, but non-bank financial institutions continued to lose ground on possibilities of the Ministry of Finance restricting property-related lending. Nippon Shinpan weakened Y28 to Y741.

Automakers were soft on a year-on-year 2.7 per cent decline in November auto sales. While luxury car sales remain relatively strong, small car sales are weakening. Honda shed Y10 to Y1,270 and Mitsubishi Motor Y10 to Y680.

In Osaka, the OSE average fell 95.01 to 24,003.19 on a thin volume of 25.9m shares. Nintendo rebounded Y600 to Y20,000 after dropping Y1,600 the previous day, but other regional issues were weak.

Roundup

TOKYO's brighter mood spread to most of the Pacific Basin yesterday. Bangkok was closed for a holiday.

AUSTRALIA gained impetus from a decline in domestic interest rates, the All Ordinaries index adding 5.0 at 1,322.0. Turnover increased from A$165m to A$177m.

James Hardie, the building products company, lost 7 cents to A$2.25 after announcing a 14.4 per cent fall in interim net profits. The most active stock, with 7.3m shares traded, was BTR Nylex, the manufacturing and packaging company. It fell a cent to A$2.50 after news that Mr Alan Jackson, managing director, was leaving to become chief executive of BTR, of the UK.

Adsteam improved 2 cents to 51 cents before the expected release of a consolidated balance sheet.

TAIWAN staged a strong late rally, inspired by lower oil prices. The weighted index jumped 270.46, or 5.7 per cent, to 4,987.12, but turnover eased from T$81.3bn to T$79.5bn.

HONG KONG's Hang Seng index climbed 45.39 to 3,066.23 in turnover up from Tuesday's HK$536m to HK$943.5m, the heaviest in two weeks.

Hutchison rose 20 cents to HK$12.10 after Tuesday's news that it had won the second local commercial radio licence.

KUALA LUMPUR followed Tokyo and Wall Street higher, with the composite index gaining 9.32 to 480.03. SINGAPORE firmed on bargain hunting, mainly by individual investors. The Straits Times Industrial index edged up 2.88 to 1,124.22.

BOMBAY was mixed after a two-month slide, but what was described as strong rearguard buying by mutual funds left the BSE index 10.48 higher at 1,173.77, after 1,131.32.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY DECEMBER 4 1990								MONDAY DECEMBER 3 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (76)	121.97	−0.4	93.86	103.31	95.31	104.44	−0.6	7.43	122.42	94.58	104.00	96.33	105.12	158.31	118.98	148.29
Austria (19)	198.64	−0.3	152.87	168.26	155.22	154.79	−0.6	1.76	199.16	153.87	169.21	156.72	155.78	285.63	178.57	152.87
Belgium (61)	135.02	+0.6	103.91	114.36	105.50	103.39	+0.3	5.61	134.23	103.70	114.03	105.62	103.11	160.02	126.67	148.57
Canada (120)	126.92	+0.6	97.67	107.50	99.17	107.11	+0.6	3.77	126.17	97.48	107.18	99.27	106.48	153.61	121.24	149.79
Denmark (33)	239.96	−1.1	184.67	203.26	187.50	188.31	−1.4	1.60	242.64	187.46	206.14	190.92	190.99	277.62	234.05	234.68
Finland (25)	105.86	−0.3	81.47	89.67	82.72	79.99	−0.9	3.81	106.21	82.05	90.23	83.57	80.58	152.29	98.91	126.86
France (122)	140.24	+0.9	107.92	118.78	109.57	111.91	+0.3	3.72	139.00	107.39	118.08	109.37	111.53	168.85	124.98	144.98
Germany (91)	115.53	−0.6	88.91	97.87	90.28	90.28	−1.2	2.52	116.18	89.76	98.72	91.42	91.42	144.63	101.38	108.55
Hong Kong (48)	122.58	+0.0	94.33	103.83	95.79	122.78	−0.1	5.39	122.61	94.73	104.17	96.48	122.86	147.49	112.24	116.33
Ireland (17)	147.89	+0.0	113.81	125.27	115.56	117.36	−0.6	4.45	147.95	114.31	125.69	116.42	118.05	198.57	139.04	168.19
Italy (91)	78.82	+1.5	60.66	66.76	61.59	66.56	+0.9	3.70	77.67	60.01	65.98	61.11	65.00	109.26	75.73	92.64
Japan (453)	116.53	−2.6	89.68	98.71	91.07	98.71	−2.9	0.87	119.67	92.46	101.67	94.18	101.67	197.26	106.58	198.88
Malaysia (35)	192.47	+0.6	148.12	163.02	150.39	200.11	+0.6	3.38	191.35	147.83	162.56	150.56	198.94	250.89	182.96	210.35
Mexico (12)	585.55	+0.4	450.63	495.98	457.55	1884.13	+0.4	0.36	583.06	450.47	495.35	458.79	1876.76	585.55	324.53	290.67
Netherland (41)	133.81	+0.1	102.98	113.34	104.56	103.58	−0.5	5.19	133.62	103.24	113.52	105.14	104.13	149.03	127.56	138.83
New Zealand (15)	47.20	−1.7	36.33	39.98	36.88	41.09	−1.6	8.32	48.00	37.09	40.78	37.77	41.75	75.36	47.20	75.85
Norway (27)	221.02	−0.9	170.10	187.22	172.71	176.47	−1.2	1.75	223.06	172.34	189.51	175.53	178.65	276.79	202.34	181.46
Singapore (25)	153.95	−0.5	118.48	130.40	120.29	122.16	−0.5	3.61	154.80	119.59	131.51	121.80	122.77	209.24	147.24	188.97
South Africa (60)	176.11	+1.0	135.53	149.17	137.61	134.00	+1.4	4.14	174.39	134.73	148.15	137.22	132.13	251.39	151.50	173.56
Spain (42)	145.62	−0.4	112.07	123.35	113.79	105.63	−0.6	5.25	146.24	112.98	124.24	115.07	106.30	182.25	128.54	159.11
Sweden (27)	164.29	+0.5	126.43	139.18	128.38	136.99	+0.2	2.87	163.49	126.31	138.90	128.65	136.75	234.93	153.11	169.70
Switzerland (68)	89.71	+0.4	69.04	75.99	70.11	71.41	−0.3	2.95	89.37	69.04	75.93	70.33	71.61	109.77	85.00	92.23
United Kingdom (298)	165.58	−0.2	127.43	140.24	129.38	127.43	−0.6	5.47	165.97	128.22	140.98	130.59	128.22	176.18	139.87	148.60
USA (533)	131.77	+0.7	101.41	111.62	102.97	131.77	+0.7	3.75	130.84	101.09	111.16	102.96	130.84	148.95	119.06	141.70
Europe (962)	136.80	+0.0	105.28	115.88	106.90	106.43	−0.5	4.37	136.78	105.68	116.21	107.63	106.94	157.65	124.91	132.53
Nordic (112)	174.03	−0.4	133.93	147.41	135.99	135.11	−0.7	2.25	174.77	135.02	148.48	137.52	136.11	223.29	170.59	172.97
Pacific Basin (652)	116.67	−2.4	89.78	98.82	91.17	99.38	−2.7	1.30	119.58	92.39	101.60	94.10	102.16	192.75	107.82	191.93
Euro – Pacific (1614)	125.20	−1.4	96.35	106.04	97.82	103.17	−1.7	2.67	126.92	98.06	107.82	99.87	104.98	174.18	118.03	166.26
North America (653)	131.38	+0.7	101.11	111.30	102.68	130.14	+0.7	3.75	130.47	100.80	110.85	102.68	129.23	148.43	119.26	142.09
Europe Ex. UK (664)	119.00	+0.2	91.58	100.82	93.01	94.05	−0.4	3.55	118.77	91.76	100.92	93.48	94.33	145.62	109.94	121.43
Pacific Ex. Japan (199)	117.56	−0.3	90.47	99.59	91.87	104.53	−0.4	6.31	117.89	91.08	100.17	92.78	104.97	146.72	116.03	132.62
World Ex. US (1806)	126.02	−1.3	96.98	106.75	98.48	104.06	−1.6	2.72	127.63	98.60	108.44	100.43	105.75	173.77	117.12	167.75
World Ex. UK (2041)	123.23	−0.6	94.84	104.39	96.30	111.08	−0.8	2.77	123.99	95.79	105.34	97.57	111.99	152.00	115.37	158.24
World Ex. So. Af. (2279)	126.70	−0.6	97.50	107.33	99.01	112.55	−0.8	3.08	127.43	98.45	108.27	100.28	113.47	161.64	118.04	157.28
World Ex. Japan (1886)	133.69	+0.4	102.88	113.25	104.48	120.26	+0.2	4.09	133.16	102.88	113.14	104.80	120.02	151.59	124.31	138.58
The World Index (2339)	126.99	−0.6	97.73	107.57	99.24	112.71	−0.8	3.08	127.72	98.67	108.51	100.50	113.61	162.05	118.33	157.38

Latest prices were unavailable for this edition.

JPMorgan